

Aalborg Universitet

Revisiting Development and International Relations

Schmidt, Johannes Dragsbæk

Publication date: 2019

Document Version Publisher's PDF, also known as Version of record

Link to publication from Aalborg University

Citation for published version (APA):

Schmidt, J. D. (2019). Revisiting Dévelopment and International Relations. Aalborg Universitetsforlag.

General rights

Copyright and moral rights for the publications made accessible in the public portal are retained by the authors and/or other copyright owners and it is a condition of accessing publications that users recognise and abide by the legal requirements associated with these rights.

- Users may download and print one copy of any publication from the public portal for the purpose of private study or research.
- You may not further distribute the material or use it for any profit-making activity or commercial gain
 You may freely distribute the URL identifying the publication in the public portal -

If you believe that this document breaches copyright please contact us at vbn@aub.aau.dk providing details, and we will remove access to the work immediately and investigate your claim.



REVISITING DEVELOPMENT AND INTERNATIONAL RELATIONS

BY JOHANNES DRAGSBAEK SCHMIDT

DISSERTATION SUBMITTED 2019



Revisiting Development and International Relations

Johannes Dragsbaek Schmidt

PhD dissertation submitted 14 May 2019 in partial fulfilment of the requirements for the degree of Doctor of Philosophy

Dissertation submitted: May 2019

PhD committee: Associate professor Ole Busck (chairman)

Aalborg University

Associate professor Laura Horn

Roskilde University

Professor Chris Dixon University House

PhD Series: Faculty of Social Sciences, Aalborg University

ISSN (online): 2246-1256

ISBN (online): 978-87-7210-447-8

Published by: Aalborg University Press Langagervej 2 DK – 9220 Aalborg Ø Phone: +45 99407140 aauf@forlag.aau.dk forlag.aau.dk

© Copyright: Johannes Dragsbæk Schmidt

Printed in Denmark by Rosendahls, 2019

Declaration

I solemnly declare that this PhD thesis is my own research work and that this has not been submitted to any university or institution for a degree award. All sources used and cited in this work are duly referenced and acknowledged.

Johannes Dragsbæk Schmidt

A. W.

Standard pages: 367 pages (2,400 characters incl. spaces).

| T | | | 0 1 1 | |
|---|-----|----|---------|---|
| 1 | IST | OI | Content | 8 |

| Acknowledgements and Preface | |
|---|-----|
| Abstract Revisiting Development and International Relations | |
| Resume Et Gensyn med Udvikling og Internationale Relationer | |
| List of peer-reviewed papers in the dissertation | |
| Section I Introducing the Issues | 1 |
| Chp 1 What is Critical in Critical Theory Chp 2 Social Change and the International System Chp 3 The Impasse of Development and IR. From Theory to an Emerging Discipline | |
| Section II Understanding the Political Economy of Social Change in Southeast Asia | 78 |
| Chp 4 Neoliberal Globalization, Social Welfare and Trade Unions in Southeast Asia | |
| Chp 5 Globalization, Democratization, and Labor Social Welfare in Thailand | |
| Chp 6 Civil Society and Distributional Conflicts in Southeast Asia | |
| Section III Regional and International Dynamics | 151 |
| Chp 7 Social Compacts in Regional and Global Perspective | |
| Chp 8 Flexicurity, Casualization and Informalization of Global Labour Markets | |
| Chp 9 Social Welfare and Harmony in East Asia and the Nordic Region | |
| Section IV Challenges in IPE – Focus on Foreign Policy | 212 |
| Chp 10 India China Encroachment and Positioning in Southeast Asia | |
| Chp 11 The Elephant and the Panda - India and China: Global Allies and Regional Competit | ors |
| Chp 12 China's Soft Power Diplomacy in Southeast Asia | |
| Section V Global, Regional and National Crises – Searching for Alternatives | 296 |
| Chp 13 Development Challenges in Bhutan: Perspectives on Inequality and Gross National Happiness | |
| Chp 14 The Red Shirt Rebellion in Thailand | |
| Chp 15 A Cacophony of Crises: Systemic Failure and Reasserting People's Rights | |

Acknowledgements and Preface

This dissertation draws on the knowledge, generosity, and encouragement of individuals in several countries. I am deeply grateful to friends and colleagues in Malaysia, Indonesia, the Philippines and Thailand. During my years in Southeast Asia I met so many people to whom I have personal relationships. After two years in Thailand and Malaysia you get so many friends and the same with my visiting fellowships in Singapore, Australia and Malaysia.

I am especially indebted to Prof. Jacques Hersh who was and continues to be a vital source of inspiration and my thinking about the issues concerned in this volume has been deeply affected by his writings and many hours of discussion and progressive socializing. My indebtedness to Helle Meyer is also greatest of all; I owe her warm thanks for invaluable support during this long but worthy effort. My thanks also go to my children Clara, Kristian and Mads and my grandchildren Magnus, Frederik and Peter. Without the encouragement and support from my family and especially my father who is now 93, this project would never have taken place.

I also want to thank Inge Merete Ejsing-Duun for her always incredibly kind, friendly and an indispensable source of humor and great help even in tough times

In Southeast Asia, I would like to thank the following institutions, departments and organization where I was attached to as a research fellow during my fieldwork and conducting the intensive interviews with planners, policy-makers and representatives of business and labor. Jomo Kwame Sundaram & Lim Tech Ghee for their help and kindness during my six months stay as visiting research fellow at the Institute for Advanced Studies University of Malaya, Kuala Lumpur. Also thanks to Professor Rajah Rasiah for his friendship and hospitality aat UM and Asia-Europe Center. In Indonesia my special thanks goes to the Executive-Director Hadi Soehastro of the Centre for Strategic and International Studies, (CSIS) Indonesia in Jakarta. Without his help and the friendly hospitality and guidance of the CSIS' staff, I had not been able to successfully complete my ideas and the goals I had set up for my stay. I would also like to extend my thanks to the staff and Alexander Magno, the Deputy Director of the Third World Studies Center (TWSC) at the University of the Philippines, Diliman Quezon City in Manila for providing me with the opportunity to be attached to the center as visiting research fellow, and to learn in-depth about Filipino hospitality. Finally, without the keen advice from Director and Associate Professor Chaiwoot Chaipan EC-ASEAN Economic Studies and the hospitality of Dean, Prof. Thienchay Kvirananda both at Faculty of Economics Chulalongkorn University in Bangkok, I couldn't possibly have conducted and finalized the tasks I had decided during my attachment as visiting scholar at 'Chula'.

On a much later stage, during the process of writing and collecting the material for this project I have received helpful advice and learned a good deal about class formation and the role of the domestic actors and institutions in Southeast Asia. Indeed, my discussions with Richard Robison and Garry Rodan, Asia Research Centre, Murdoch University in Perth Western Australia have been an "eye-opener". I would also like to thank Mikael Parnwell University of Hull, David Drakakis Smith

Liverpool University, Kwang Yeong Shin Hallym University, Joachim Hirsch University of Frankfurt, and not least Amiya Bagchi Centre for Studies in Social Sciences, University of Calcutta for intellectual and spiritual inspiration during a number of research seminars and visits. Many more friends could be mentioned like Manfred Bienefeld and his wife in Ottawa, Canada during my visiting professorship at Carleton University; Shantanu Chakrabarti, University of Calcutta in Kolkata; Dong Ruixiang in Beijing.

Finally, I want to thank my former PhD students who have been an invaluable source of inspiration and some have even become very good and close friends.

- 1) Louise Takeda, who is now in Vancouver who wrote her dissertation on 2008 Transforming Forestry on Haida Gwaii: The Politics of Collaboration and Contestation in the Struggle for Justice and Ecological Integrity;
- 2) Torsten Rødel Berg, who is now at Aarhus University. Irrigation Management in Nepal's Dhaulagini Zone: Institutional Responses to Social, Political and Economic Change (2008)
- 3) Abdulkadir Osman Farah who is at Aalborg University: Diaspora Development, Space Formation and Mobilization: The Case of Somali Diaspora in Denmark and the UAE (2011).
- 4) Bonn Juego who is now at University of Jyväsjkylä in Finland: Capitalist Development in Contemporary Southeast Asia. Neoliberal Reproduction, Elite Interests, and Authoritarian Liberalism in the Philippines and Malaysia (2013);
- 5) Supriya Samanta who is now employed at Jadavpur University, Kolkata, India: Patriarchy and Violence against Women in India: A Critique of the Hindu Perspective (2014).
- 6) Ismat Mahmuda who is now working in Primeminister's Office in Dhaka: Social Safety Nets for Development. Poverty reduction programmes for the provision of food security in Bangladesh (2016).
- 7) Yezer Yezer who is working at Sherubtse University, RUB in Bhutan: Social Policy at the Crossroad Rethinking Education Policy in Bhutan.
- 8) Michael Omondi Owiso who is now with Maseno University, Kenya: Transitional Justice and the Institutionalisation of Democracy: Historical legacies and the truth process in Kenya (2018).

None of the persons mentioned here are in any way accountable for the text's deficiencies and shortcomings, which are wholly my responsibility.

Revisiting Development and International Relations

Johannes Dragsbaek Schmidt

Abstract

The overall objective of the dissertation is to analyze the interaction of national development in developing societies and the world political economy. It is an attempt to challenge the hidden selectivity of present day IR by going beyond the partial explanations of the bits and pieces of *the whole* international system and at the same time uncover claims of scientific "objectivity" and "natural laws" in human nature. It is also challenging the mainstream discourse of IR, which denotes that development has been consigned to the realm of low politics, except when the international order, as it has been constructed, is threatened. The objective then is to "connect the dots" by providing an overall theoretical framework for the concepts and empirical material presented in five sections and chapters of this dissertation. This is done by examining competing views of what development and later on international relations means and how they may be intertwined. The idea is not necessarily to reach a unified approach but to investigate the different theories, concepts and methodologies involved in a search for a valid framework, which may give explanatory value to a merger of the two disciplines "Development studies" and "International Relations".

Et Gensyn med Udvikling og Internationale Relationer

Johannes Dragsbaek Schmidt

Resume

Det overordnede mål med afhandlingen er at analysere samspillet mellem national udvikling i udviklingslandene og den globale politiske økonomi. Det er et forsøg på at udfordre den skjulte selektivitet i fagdisciplinen Internationale Relationer (IR) ved at afdække de delforklaringer af enkeltdele og udvalgte emner, der hævdes at berøre det internationale system set som et hele. Samtidig er det intentionen at afsløre påstandene om videnskabelig "objektivitet" og "naturlove" der henviser til den menneskelige natur. Et andet formål er at udfordre IRs mainstream-diskussion, der angiver, at udviklingsproblemet anskues som *low politics*, medmindre den konstruerede internationale orden, er truet. Målet er at "forbinde punkterne" ved at give en samlet teoretisk ramme for de begreber og empiriske materiale, der præsenteres i fem afsnit og i alt 15 kapitler i denne afhandling. Dette gøres ved at undersøge konkurrerende synspunkter om, hvad "udvikling" og "internationale relationer" i realiteten betyder og om det er muligt at samtænke de to to discipliner. Ideen er ikke nødvendigvis at nå en samlet tilgang, men at undersøge de forskellige teorier, begreber og metoder, der er involveret i en søgning efter en gyldig og sammenhængende begrebsramme, som kan øge forklaringskraften og dermed føre til en eventual fusion af de to discipliner "Udviklingsstudier" og "Internationale Relationer".

List of peer-reviewed papers in the dissertation

- Schmidt, Johannes Dragsbæk (2000) Neoliberal Globalization, Social Welfare and Trade Unionism in Southeast Asia. In: Globalization and the Politics of Resistance, (ed.), Gills, B. K., Basingstoke: Palgrave Macmillan, pp. 220-240 (International Political Economy Series).
- Schmidt, Johannes Dragsbæk (2000) Globalization, Democratization, and Labour Social Welfare in Thailand. In: Globalization and Social Change, (eds.), Schmidt, J. D. & Hersh, J., London: Routledge, pp. 158-178 (Routledge Advances in International Political Economy, Vol. 6).
- 3) Schmidt, Johannes Dragsbæk (2010) Civil Society and Distributional Conflicts in Southeast Asia. In: The New Political Economy of Southeast Asia (ed.), Rasiah, R. & Schmidt, J. D., Cheltenham: Edward Elgar Publishing, Incorporated, pp. 229-256.
- 4) Schmidt, Johannes Dragsbæk (2009) Social Compacts in Regional and Global Perspective. Revue Canadienne D'études du Dévelopement. Canadian Journal of Development Studies, Vol. 28, No. 3-4, pp. 455-474.
- 5) Schmidt, Johannes Dragsbæk (2006) Flexicurity, Casualization and Informalization of Global Labour Markets. In: Globalization and the Third World: A Study of the Negative Consequences, (ed.), Ghosh B. N. & Guven, H.M., Basingstoke, Hamshire and New York: Palgrave Macmillan, pp. 129-147.
- 6) Schmidt, Johannes Dragsbæk (2018) Social Welfare and Harmony in East Asia and the Nordic Region. In Ananta Kumar Giri (Ed.) Social Theory & Asian Dialogues, Basingstoke, Hamshire and New York: Palgrave, Macmillan, pp. 381-398.
- 7) Schmidt, Johannes Dragsbæk (2014) India China Encroachment and Positioning in Southeast Asia. India in the Contemporary World. (ed.), Schottli, J., Zajaczkowski, J. & Thapa, M., Delhi, India: Routledge, Chapter 11 pages, 242.
- 8) Schmidt, Johannes Dragsbæk (forthcoming) The Elephant and the Panda India and China: Global Allies and Regional Competitors. In Schmidt, Johannes Dragsbæk and Shantanu Chakrabati (2019) The Interface of Domestic and International Factors in India's Foreign Policy, Oxford University Press (submitted), pp. 23.
- 9) Schmidt, Johannes Dragsbæk (2008) China's Soft Power Diplomacy in Southeast Asia. Copenhagen Journal of Asian Studies, Vol. 26, No. 1, pp. 22-49.
- 10) Schmidt, Johannes Dragsbæk (2017) Development Challenges in Bhutan: Perspectives on Inequality and Gross National Happiness. In Johannes Dragsbæk Schmidt (Ed.)

- Development Challenges in Bhutan: Perspectives on Inequality and Gross National Happiness, Berlin, Springer, pp. 1-16.
- 11) Schmidt, Johannes Dragsbæk (2009) The Red Shirt Rebellion in Thailand. State Violence and Human Rights in Asia, (ed.), Lee Suk-Tae. Gwangju, Republic of Korea: The May 18 Memorial Foundation, pp. 321-346. Also published in Korean: Schmidt, Johannes Dragsbæk (2011): 태국, '민주화를 향한 고뇌의 길' (Korean): The Via Dolorosa to democracy in Thailand: The King, the Prince and the bloodshed. Asia Journal, pp. 135-166.
- 12) Schmidt, Johannes Dragsbæk (2010): A Cacophony of Crises: Systemic Failure and Reasserting People's Rights. Human Geography, vol. 3, no. 2, pp. 18-33.

Section I Introducing the Issues

"The first person who, having enclosed a plot of land, took it into his head to say this is mine and found people simple enough to believe him, was the true founder of civil society. What crimes, wars, murders, what miseries and horrors would the human race have been spared, had someone pulled up the stakes or filled in the ditch and cried out to his fellow men: "Do not listen to this imposter. You are lost if you forget that the fruits of the earth belong to all and the earth to no one!" (Rousseau 1993 [1762]

"The produce of the earth—all that is derived from its surface by the united application of labour, machinery, and capital, is divided among three classes of the community; namely, the proprietor of the land, the owner of the stock or capital necessary for its cultivation, and the labourers by whose industry it is cultivated. But in different stages of society, the proportions of the whole produce of the earth which will be allotted to each of these classes, under the names of rent, profit, and wages, will be essentially different; depending mainly on the actual fertility of the soil, on the accumulation of capital and population, and on the skill, ingenuity, and instruments employed in agriculture. To determine the laws which regulate this distribution, is the principal problem in Political Economy" (Ricardo 1973 [1817]

"Private property has made men so stupid and one-sided, that an object only is understood as "ours" when men actually possess it, when it exists for them as capital" (Karl Marx (1998) [1846]

1) What is Critical in 'Critical Theory'?

This dissertation was written after a long journey through the dismal labyrinths of the social sciences. Although this journey itself mirrors life, seen as a jigsaw puzzle, the purpose has always been pursued with a clear consciousness to comprehend the most significant aspects of social changes with reference to the disruptions and at the same time creative destructions of the international capitalist mode of production. The idea itself came to my mind as a desire to understand not just evolution in one part or country of the Third World entering the international system through decolonization and liberation from imperial domination and exploitation but how unequal exchange in economic, political, social and environmental terms affect the North-South conflict and the gap between these entities. In this sense, the thrust of this research is about development defined as multidimensional social, political and economic internal change intrinsically linked to the external system. *Development and International Relations* indicates that the objective is to reconsider or rather deconstruct the links, if any, between the development question in the discourse of the international system, which is IR, and also to comprehend the impasse of the two disciplines (Schuurman 1993; Corbridge 1990; Cox

1989). It is an attempt to challenge the hidden selectivity of present day IR by going beyond the partial explanations of the bits and pieces of *the whole* international system and at the same time uncover claims of scientific "objectivity" and "natural laws" in human nature. It is also challenging the mainstream discourse of IR, which denotes that "development has been consigned to the realm of low politics, except when the international order, as it has been constructed, is threatened." (Dickson, 1998: 367) The objective then is to "connect the dots" by providing an overall theoretical framework for the concepts and empirical material presented in the following sections and chapters of this dissertation. This is done by examining competing views of what development and later on international relations can mean. The idea is not necessarily to reach a unified approach but to investigate the different theories, concepts and methodologies involved in a search for a valid framework that may give explanatory value to a merger of the two disciplines "Development studies" and "International Relations".

However, this text needed also to be written as a tribute to and in respect of the people who participate in development struggles. My first meeting with the people's resistance against unfair and unjust policies was in Turkey during the late 1970s. Poor people stood up against tyranny and travelling from the Bosporus strait to the Iranian border was a challenge as every five to ten kilometers you either met the fascist Grey Wolf armed gangs or leftist armed groups of resistance fighters standing at roadblocks. Next was entering Iran during the fall of the US backed Shah Mohammad Reza Pahlavi and seeing with my own eyes how the French government imposed Aytollah Khomeni as "savior" of the Iranian crisis at the expense of the communist Mojahedin-e Khalq who were about to celebrate the revolution. Travelling from the Turkish to the Afghan border in the middle of a revolution, which we all thought would end with a socialist government, was endemic and challenging although war and hostilities did not stop people from being friendly and hospitable. In October 1978, we entered Afghanistan, which was under the control of the Communist Party-led Taraki government. We engaged in the measures of re-distributing land to the peasants, building a school with the local villagers and then, after we had left and gone into Pakistan and later on India, Soviet napalm destroyed the whole village Fatah Abad outside Jalalabad where we had shared life and work with the locals some months. Approximately 1.000 households, men, women and children died in one of these airstrikes.

These events changed my destiny and the naive belief in the artificial divide between war and the betterment of ordinary people's lives. Later events took me to see local alternative development in most countries in the Middle East, East and Southeast Asia, China, India, Nepal, Bhutan, Brazil, Uruguay, Argentina, Mexico, Kenya and other developing societies. Through this experience, I discovered that the resilience of local development always goes hand in hand with the ability to defend the alternatives. These were important lessons in the sense that they had a great impact on some of the ideas behind my future research. In my personal development, the need to find, and help creating, a theoretical framework to my subjective awareness of conflicts and contradictions, which I had encountered during these travels to different non-Western societies, came first. It is in the search for a scientific/academic understanding of the workings of the international system, encompassing

different types of societies arose. Consequently, this was a case of practice before theory and a question of posing critique in a sufficient way.¹

Strength and Weakness of Theory

It may be argued that theories of development and IR more or less follow the different phases of capitalism. On the other hand, theories do not fall down from the blue sky or in other words, they do in many cases follow a distinct pattern and may serve those who hold power in a specific moment in history. This way, the disciplines of Development theory/Development studies and International Relations served different and specific purposes and specific interests during two distinct phases: 1) Post II WW – Golden Years of capitalism; 2) End of the 1970s and beginning of the 1980s was marked by the fading away of Keynesian thinking and the emergence of a new vigorous type of neoliberalism. As we shall see the emerging dominant theories of the two disciplines reflected needs of first productive capital accumulation and capital export of the North and later the specific objectives of financialization of the global economy.

Yet to what extent does it make sense to talk about approaches to development and international relations at a time when the world is experiencing the worst financial crisis in 2008 since the Wall Street crash in the 1930s and its aftermath in 2019? Is it meaningful and worth the effort to elaborate on whether such encompassing disciplines have anything in common or rather anything to offer to each other? As indicated above, development seen in this light covers everything and is a fate, which is faced by all societies, but it makes sense to go beyond Thucydides prediction that "the strong do what they can and the weak suffer what they must"

This research is an attempt to provide the tools to understand the origins and implications of societal change at the local, national, regional or international level. These are not understood as merely spatial demarcations but rather through the dialectical and historical materialist lens as determined by the contradictory forces within and between these entities. The overall structure of capital accumulation denotes and directs the contradictory and sometimes antagonistic processes of change, which may lead into different directions. It can be argued, that development in its subjective sense occurs through "willed human action on the basis of a recognition of the objective possibilities in a given situation." (Biel 2000: x) Consequently, the modest aim of this research is to offer a contribution to what very

¹The basic tenets of this dissertation agrees with the following epistemological statement: "Nearly any reflective person has grounds for dissatisfaction with the social system in which he finds himself. Most of us are social critics of one sort or another, though some are more severe than others. A rough distinction can be drawn between the moderate or reformist critic and the radical critic: The former believes that the system is fundamentally sound, and/or that his society is basically a good society. Any society falls short of its ideals, and given that we are all sinners, it is not surprising that things don't go as well as they might. This critic believes that existing institutions can and should be modified or augmented in various ways to permit or encourage society to approach more closely the appropriate ideals. The fact that most reflective people are at least moderate critics is not surprising. They usually have enough imagination to conceive of ways in which society might be better. Few such people believe that, at the level of social institutions, this is the best of possible worlds. By contrast, radical critics believe that existing social institutions are fundamentally unjust or immoral." (Arnold 1990: 3)

few scholars (Dickson 1997; Jones 2006; Hönke and Lederer 2013) have tried to accomplish and to introduce the origins, evolution and operation of social change in the international political economy, i.e. the *modus operandi* of linking development and international relations. Although this may be a modest objective, the assumption is that this endeavor can contribute to the body of contemporary literature, which tries in a more honest way to introduce Third World development and the North-South conflict into the realm of IR, and vice-versa to catapult IR back into development studies where I feel it belongs. The intention is to combine development studies with international relations in such a way to increase our understandings of the dialectics of order and disorder, the nexus between geopolitics and geo-economics, as well as the systemic dysfunction at different levels of the world system. It is an attempt to give transparency to the relationship of development, overdevelopment, underdevelopment and mal-development with international relations through a holistic and critical approach to the analysis of the status quo and the possibility of social change and emancipation. It is an inquiry into the ways in which knowledge is guided by particular interests or values.

One way to go forward is by distinguishing between appearances and essence of the objects of analysis. Implicitly or explicitly critical theory urges us to go beyond description and ask not only "cui bono" but the" why" question. (Hersh 2009) While critical thinking asks inconvenient questions, mainstream analysis accepts the dominant situation and discourse.

History is always recourse for many students. In this way, it may be relevant to remind of the intrinsic and determining exploitation by the North of the post-colonial governments trying to establish a social contract in the spirit of Jean-Jacques Rousseau inside their societies. Connected to that many tend to forget the attempts in many newly independent states to gain control over collective property like the nationalization of oil in Iran; the Suez Canal in Egypt; Copper in Ghana, Zaire and Chile and presently oil in Iraq, Libya and Venezuela; these attempts were formulated as alternatives to what was seen as inherent antagonisms between North and South. In this way, the quest for political decolonization turned into a continuing struggle against imperialism and Eurocentric dominance (Schmidt and Hersh 2018a; Schmidt and Hersh 2018b; Schmidt and Hersh 2019) and many thought the time was ripe for a radical global redistribution of income from the developed to the developing countries.

This dissertation consists of five section with three chapters presented in each section. Overall, 15 chapters' offer a variety of examples of the interdisciplinary combination of development studies with international relations in order to better understand order and disorder as well as the systemic dysfunction at different levels. These are chapters and journal articles published in peer-reviewed journals and books and they aim to give transparency to the relationship of development, overdevelopment, underdevelopment and maldevelopment through a holistic and critical approach to the analysis of the status quo and the possibility of social change. The overall objective is to apply a critical approach to the study of development and international relations with a view to understand the gains and losses from development together with the global regime of governance that has been constructed to maintain the uneven division of labor and the world's wealth. The sections form the core of the thesis and will be briefly presented in the last section of this introduction.

The discussion in this introduction is supposed to provide a background theoretical and methodological overview of the existing literature with a focus on relevant theories, which may or may not give insights into the problem of linking the two disciplines - development and international relations. The introduction is divided into three chapters. The question is raised what is critical about critical theory since this has been a debated issue. The line of thought presented here intends to move beyond appearance and ask inconvenient question including a brief excurse drawing on the concept of "sociological imagination". Furthermore, a methodological framework is presented relying on a structural analysis as a subjective choice and undertaking. It is an attempt to lay out the epistemological and ontological foundations of the dissertation. Chapter two continues along the same line and introduces the historical-structural method together with some meta definitions of ideology, classes, state and the international. The chapter also situates the debate about the role of the state in developing societies in contrast to relevant development theories. This is done in order to clarify which theory is deemed to provide explanatory factors with regard to the crisis of the state. The final part of this chapter, continues this debate by providing a more detailed focus on the importance of economic policy-making and then the analysis moves beyond the domestic context and situates the role of the state and bargaining capacities (i.e. in foreign policy in the international system. Chapter three's title is "The Impasse of Development and IR. From theory to an Emerging Discipline". It returns to the key questions given in the previous chapters and argues for the introduction of an alternative theory based on a reconstruction of the comparative political economy perspective (CPE). The final part introduces the five sections of the thesis.

Contradictio in Adjecto

Social science research trying to understand and comprehend the inherent tensions and conflicts taking place in the contemporary world at national, regional and international levels and attempting to project coming configurations of the global order, demands new theories and concepts. It is almost impossible to conceptualize the issues related to development, underdevelopment and overdevelopment and their interconnectedness on the world scale without a vigorous and elaborate deconstruction of existing disciplines and theoretical perspectives and without a conceptual framework and the imposition of a new normative vision of change.

Framing the problem this way, the objective of the study of development and international relations ought to go beyond the level of appearance and instead bring out the essence of the phenomenon to be analyzed as mentioned above.

In recent time, there have been many calls for an end or impasse of both development and IR theory. Yet, it has been posed as a question, and it has been posed apparently and in a sense as dissatisfaction with development studies and IR's state of theoretical affairs.

One response has come from critical theory that may be understood as a category "that begins with the avowed intent of criticizing particular social arrangements and/or outcomes" (Dunne, Hansen and Wight 2013: 410). However, this is much weaker than the one found in the Frankfurter School and more akin to Polanyi's critical method and examination of the dehumanizing cultural and social

consequences of the free liberal market system. The removal of people from their socio-cultural context and social relations, he saw, as a direct consequence of the free or self-regulated market; the 'disembedding' of the economy from its social basis is creating cultural delineation and leaves people without self-respect and the environment without protection.

To reinvigorate the "sociological imagination" (C. Wright Mills 1961) in IR would then be to rearticulate a strong concept of society precisely in order to render a strong critique of society possible in the first place. To counteract the passivity that has become somewhat generalized at least in the West, we have to promote "the sociological imagination" defined as "a quality of mind that seems most dramatically to promise an understanding of the inner realities of ourselves in connexion with larger social realities." (1961:22) Following this perspective the dialectic method is the hallmark of critical IPE as it offers a holistic understanding and investigation of "the social forces of political order and transformation in terms of the relational oppositions and historical contradictions between the individual and society and to examine the meaning of reason (*Vernunft*) and rationality in the social context of ethical, economic and political struggles for justice and freedom" (Roach 2008: xiii).

Observations on Methodology and Theory

Up to this point, I have tried to outline the criteria necessary for introducing a theory of social change² and I have stated the research problems in this dissertation. In the following, it is the intention to clarify a number of theoretical questions that have developed based on diverse time spans, historical situations, and conceptual frameworks, but which all reflect at the overall subject of this thesis.

As previously mentioned, there are as many ways of studying social change, as there are ways of studying societies. Yet, there are some master institutions and agencies that regulate human behaviour; that there are a small number of these; and that it is possible to study them in order to understand how they work. From such knowledge, we can then develop an understanding of how other, more derivative parts of a social structure operate (Chirot 1986: 2). In order to understand social change, it is important to emphasize that the first rule of thumb in comparative analysis, then, is to avoid concepts that are so particularly tied to single cultures or groups of cultures that no instance of the concepts, as defined, can be found in other cultures (Smelser 1968: 65). In this study, it is the intention to apply a critical CPE perspective within a general framework of long-term changes as a way to avoid such contextual traps.

²The first component of a theory of social change is a scientific problem, or a "why" question about some change in one or more dependent variables. It indicates the type of social structure to which his theory applies - whether political, religious, economic, educational, medical, or some combination of these. This requirement of theory raises two critical issues - namely, the problems of *definition* and *classification* of dependent variables, which must be regarded as parts of the same conceptual operation. The next problem involves the specification of a context in social space and time in which the variables are to be studied. In addition, the researcher must decide on the establishment of beginning and end points for any given process of change. What are the dynamics of change? To gain access to this question we have to ask about the independent variables (or causes, or determinants, or factors) in change, and the ways these can be organized into explanatory models and theories (Smelser 1968: 200-205).

The choice of theoretical avenue is subjectively interpreted in the way Robert Cox defines theory. It is a choice determined by the need of better intellectual tools not only to cope with more complex questions, but to direct us towards different questions. Our understanding of the nature of the social production of knowledge. Knowledge, in the form of theory (here simply a set of propositions which explains the world), is never free from value.³ As Robert Cox puts it: "Theory is always *for* someone and *for* some purpose. All theories have a perspective... There is ... no such thing as theory in itself, divorced from a standpoint in time and space" (1981: 128).⁴

What we have to study to understand social change in historical perspective is how structural forces cause people to accept and incorporate their notions of what kind of situation they are in, and to sustain those new notions sufficiently long to build them into institutions that in turn sustain them. The whole point is that people's definition of the situation they are in is powerfully determined by what situation they are in, and that is an institutional product (Stinchcombe 1978: 118-119).

It is imperative to be comparative in order to understand social change. According to Øyen, the call for more comparative studies has its roots in the growing internationalization and the concomitant export and import of social, cultural and economic manifestations across national borders. It is in its essence globalization, which changes our cognitive map.⁵ An understanding of poverty in the Third World cannot be isolated from a consideration of the wealth accumulated in the rich countries and the unequal exchange involved in this process. The world is divided into administrative units (i.e. countries, nations and nation-states), and since much of the infrastructure available for comparative research is tied to the territories enclosed by national boundaries, it becomes selectively convincing to use such units in comparative studies. The need for more precise, reliable comparisons has become part of a political and economic reality which is a driving force behind the demand for more cross-national comparisons, most

³Most economists forward the notion that there are certain elements of social reality which can be characterized as 'the economic factors', and that a theoretical analysis can be rationally restricted to the interaction of those factors. But I agree with Myrdal that this kind of reasoning: constitutes another unrealistic assumption. It is closely related to the equilibrium assumption. In reality there is, of course, no distinction between facts corresponding to our traditional scholastic division of social science into separate disciplines. A realistic analysis of problems can never stop such lines of division. The distinction between factors that are 'economic' and those that are 'non-economic' is, indeed, a useless and nonsensical device from the point of view of logic, and should be replaced by a distinction between 'relevant' and 'irrelevant' factors, or 'more relevant' and 'less relevant'(1957, p.10).

⁴(Emphasis in original).

⁵Karl Deutsch asked in 1985 are international activities becoming a larger or smaller portion of total activity in the world? And are international activities reaching levels which might have substantial side-effects? Richard Merrit and I have discovered that the development of internationalism in the world is heterotropic ('hetero' meaning different, and 'tropic' meaning going in some direction). In *Alice in Wonderland* there is someone who 'rode of furiously in several direction', and the world is, in effect, doing just that. Thus, the share of international trade in total in world economic activity is, in the long run, fairly stagnant. World trade today is no larger a proportion of world income than it was in 1913, which could be called a healthy world period, and considered to be a standard case of normality, but then look at what happened in 1914 and the years that followed. In other respects, such as communication and the diffusion of science, technology and some patterns of mass culture, the world has become more unified that it used to be (Deutch 1985: 15)

of which apply to specific problems and are fairly limited in scope. The aim of cross-national research is to reduce unexplained variance and find patterns and relationships, but the variance-reducing schemes presented in various studies do not often yield the relationships, which are suitable as a foundation for building theoretical explanations or justifications (Øyen 1994: 1-3). However, it should be noted in passim that, many scholars dismiss the notion "Third World" as obsolete and being outdated (Payne and Phillips 2010) while others argue that there is still a need for the concept since it "mitigate the force of the argument that Third World is altogether redundant in a geopolitical First-Second-Third configuration." (Carmen 1996: 28)

It is possible to identify four kinds of cross-national research based on the different *intent* of the studies. Here countries can be 1) the *object* of the study - that is, the investigator's interest lie primarily in the countries studied, 2) the *context* of the study - namely, the interest is primarily vested in testing the generality of research results concerning social phenomena in two or more countries, 3) the *unit* of analysis - where the interest is chiefly to investigate how social phenomena are systematically related to characteristics of the countries researched, and 4) *trans-national* - namely, studies that treat nations as components of a larger international system (Øyen 1994: 6).

With worldwide communication systems, unprecedented levels of international trade, and a growing volume of cross-border travel, international diffusion is evidently a major element in cultural change. However, while the magnitude may be somewhat unique, the question is, as Scheuch puts it globalization is not new at all. It was already specified around the turn of the century by the famous statician Galton, as part of the controversy about cultural diffusion. However, the evolution and the character of the capitalist world-system cannot be reduced to the logic of global capital accumulation, but must be treated as the consequence of the complex interaction of geopolitical struggles on the one hand and the contradictions of worldwide capital accumulation on the other (Evans et al. 1985: 11).

In the literature of social change, the determinants of changes in social variables often fall into one or more of the following broad clusters: 1) The structural setting for change. What implications does the existing structure of a social unit have for future changes of the unit? The concept of structural setting includes both an "opportunity" and an "obstacle" aspect. This includes the importance of power balance among different social groups, including vested interests, in society. 2) The impetus to change. A conducive structural setting alone does not guarantee that change will occur. The social units have to be under some kind of pressure (which is called by many names, such as strain, tension, imbalance, or disequilibrium) that provides a definite push toward change. The origins of such pressures are numerous.

3) Mobilization for change. If the structural setting is conducive and pressures have accumulated, the

⁶'Galton's problem' is the issue whether a given culture can be thought of as 'causing' something, or whether the something is instead the result of diffusion across cultures. The issue is given the name 'Galton's problem' as it was first raised by him during a meeting of the Royal Anthropological Institute in 1889. Galton, at that time already a famous statician, is quoted as having remarked in discussing a paper by Tylor, " It was extremely desirable for the sake of those who may wish to study the evidence for Dr. Tylor's conclusion, that full information should be given as to the degree in which the customs of the tribes and races which are compared together are independent. It might be, that some of the tribes had derived the customs from a common source, so that they were duplicate copies of the same original" (Scheuch 1994: 28). See also Tylor ([1889] 1961:23).

probability that *some* sort of social change will occur is high. However, these two determinants by themselves are too general to indicate what specific direction change will take. This depends on the ways resources are mobilized and brought to bear on modifying the elements of social action. The operation of social controls. (Smelser 1968: 206-207).

On the basis of Smelser's discussion of definitions and methodology, I will later on tis introduction outline a number of criteria by which theories of social change may be assessed - the statement of a scientific problem about dependent variables, the description of change, the explanation of change by the use of independent variables, and the organization of these ingredients into models and theories. These criteria are formulated in general terms, without reference to any particular type of change or historical situation.

Smelser's comments denote a particular distinction between the role of the intellectual and the role of the scholar, which Daniel Bell also recognized. The scholar finds his place in an established tradition, adding to it piece by piece as one might to an elaborate mosaic. In contrast, the intellectual "begins with *his* experience, *his* individual perceptions of the world, *his* privileges and deprivations, and judges the world by these sensibilities - and in so doing uses himself as a litmus test for the way society regards its citizens." (Bell 1960: 372)

Edward Said argues that the intellectual is "someone whose place it is publicly to raise embarrassing questions, to confront orthodoxy and dogma (rather than to produce them), to be someone who cannot be easily co-opted by governments or corporations, and whose raison d'être is representing those majority people and issues that are routinely forgotten or swept under the rug". He is particularly harsh on those who become servants of power, handmaidens of authority, propagating the dominant ideas of the day. Said pursues his argument insofar as the intellectual within a national community is concerned, arguing that the principle for the intellectual should always be "never solidarity before criticism." As he notes, this may sometimes mean that even intellectuals who represent the suffering of their people are obliged to reveal that their own people may be causing harm to others (Said 1994: 11 and 32). This is of extreme relevance, not only because a counter-hegemony to neo-liberal technocratism and managerialism is necessary, but also because there has been a tendency for research to be guided by the professional interests of the researcher rather than the needs of those being researched. The end game is a concentration of knowledge and power by elites, and the lack of ongoing interactions between research and appropriate forms of involvement in the development processes (Edwards cf. Booth 1994: 65).

I agree with Said's proposition that the intellectual *should* be an amateur, and has a responsibility to speak to the large issues, rather than remaining buried in a narrow specialization, speaking a coded language to other specialists.

That is why the approach I am going to present here is motivated by the desire to answer analytical questions of substantive interest rather than the desire or attempt to validate general theoretical perspectives. There is nonetheless, a shared epistemological core of general ideas about how social structures work and how they should be investigated. I will briefly mention that the shared theoretical heritage that informs the CPE and the sociology of development approach is Marxian and partly

Weberian. This approach argues against the extraordinary influence of positivist and empiricist traditions that have an enormous influence in development studies. These conservative and descriptive approaches have been constituted by an amalgam of orientalist history, behaviourism and structural-functional social science (Higgott and Robison 1985: 3; King 1996: 152). Both have been criticized for a tendency of Eurocentrism. Max Weber's main argument was based on an analysis of religion, the Protestant ethic and rationality while the young Marx focused on the accumulation of capital in Europe. The mature Marx recognized that with the inclusion of China capitalism itself would be challenged or potentially undermined (Schmidt and Hersh 2018; Schmidt & Hersh 2019).

What has been retained from Marx is essentially the "political class analysis." Class, defined by economic position, remains central but the impact of class membership on political behaviour is assumed to be contingent on a variety of social-structural and historical factors, as in Marx's analysis of the revolution of 1848 in France or the struggle for the reduction of the working day in England (Evans and Stephens 1988/1989: 728; Evans 1992: 144-145).

What has been retained from Weber is the historical and institutional side with its sensitivity to the way in which rational social and organizational structures are reshaped by considerations of power and conflicting interests and its careful portrayal of the interaction of cultural and social-structural features (Evans and Stephens 1988/1989: 728; Evans 1992: 146). Furthermore, power can in particular cases be conceptualized in terms of how class, gender, ethnicity, and other sectional relations are experienced by historical actors themselves. This also includes the possibility of seeing the enabling aspects of the state in contrast with the tendency of seeing only the oppressive sides of the state. "Particularly for the defence of the interests of the agrarian masses... as a protective and stimulating role of the state is indispensable" (Vandergeest and Buttel cf Wertheim 1995: 27 and ibid 28). No doubt, the role of the state, its capacities, autonomy, interactions between domestic and foreign policy, and ability to pursue independent economic policy-making remain at the core of understanding how peoples struggle enfold.

No single ready-made theoretical model can provide all the tools necessary to explain the cases presented in this dissertation, but an eclectic combination offers enough advantage to make a start (Evans 1995: 5).

The problem is that mainstream interpretations in the social sciences and its sub-disciplines development theory and international relations pretend that theories almost fall down from the blue sky. They present theory as ahistorical and timeless entities without subjective and human action and purpose. In this way, the mainstream becomes common understanding and common knowledge as if it was out of necessity and not purpose. These propositions remind me of the old Confucian phrase that "When a wise man points at the moon the imbecile examines the finger." Or in the words of Karl Marx:" If the essence and appearance of things directly coincided, all science would be superfluous" (Marx 1991: 956).

The purpose of science is to discover the nature of reality concealed under surface appearance. Based on this definition, Marx makes the above assertion - if things appeared exactly as they are, there would be no need for science to remove the veil of appearance. Social science, therefore, is the search for the real nature of society, underneath all of its visible, external façades. If the reality of society is

easily observable in our everyday experience, then there is no need for scientific reflection on society, as Marx defines science. The idea that society has a "form/appearance", which is not the same as social "essence", forms the starting point for the Marxist discussion of ideology. Ideology is what allows a society to persist, even though the essence of that society may contain contradictions.

It is important to note that the difference between appearance and reality is not due to some form of false belief or faulty vision on the part of the observer. The appearances are caused by the reality. There is no "mistake" in the observance of society, because it is the nature of society that the essence projects a certain appearance. It is the nature of a mirage that it is an illusion; it is not a case of "faulty vision". A person with normal vision will still see a mirage, as it is the very essence of the mirage, which creates the illusion.

As we shall see in the following this is exactly what has happened in the "real world". The social science academia has in many ways created and contributed to masking real problems by avoiding asking critical questions and neglecting contradictions and antagonisms involved in social change in general.

2) Social Change and the International System

The main problem in mainstream IR is related to its neglect of justice and inequality. Another is related to the denial of Eurocentrism by assuming/promoting the direct copying of so-called Western universal values and institutions such as those derived from the enlightenment towards the developing countries and the rest of the world. Mainstream thinking, implicitly, assumes that all countries should become a copy of the West. This is part and parcel of the dominant ideology of the international financial institutions (IFIs) and has been encapsulated by the World Bank and the IMF in their endeavors to impose an Anglo-Saxon neoliberal view of development and economic policy-making.

Nevertheless, is not the world of development now illuminated by the light shed by the more progressive post-Washington Consensus? Does this not offer the prospect of a revival of the developmental state? With minor exceptions, the answer is negative. Whilst this demonstrates the limited extent of reform in thinking attached to the post-Washington Consensus, it is also appropriate to view the notion of developmental state with a degree of circumspection. As emphasized elsewhere, scholarship, ideology or rhetoric and policy in practice, especially of the World Bank, are mutually supportive however inconsistent in different and shifting ways (Fine 2001). Much the same is generally true for development in terms of scholarship, policy and ideology - or advocacy as it has now become more generally known (Deaton et al 2006).

The study of development and international relations ought to consider at least four separate aspects: The role of ideology, classes, states, and the international system. However, before presenting the general framework for this kind of theorizing it is necessary again to reflect on the overall role of subjectivity and objectivity in social science research and methodology in general and specifically explain the epistemological considerations for the concept of social change. It is impossible to enter the field of

research without a sufficient explanation of the general concepts and definitions as well as the level of theorizing, by focusing especially on the method for stating the problem and its related hypotheses. As Martinussen notes: "It must be demanded of a theory that its ontological and epistemological assumptions are explicitly stated. This implies an indication of the fundamental conceptions of reality, of the nature of society, and how this reality can be analysed and comprehended." (Martinussen 1997: 346) In addition, its normative orientation and levels of applicability and propositions "about real societal phenomena and changes in these." (ibid.)

Here it is enough to agree with the words of Smelser: "Social change is best analyzed as a complicated sequence of different kinds of equilibrium processes; whether one type or another predominates depends on the phase in the social-change sequence under consideration and on the interaction of variables in each phase." (1968: 268) One set of theories that comes very close to this kind of thinking is the dependency tradition.

Inthis perspective, ideology is best understood as the superstructure of civilization; but in capitalist societies ideology always reflects the "ruling ideas" of a given epoch, which means those of the ruling class: "The ruling ideas are nothing more than the ideal expression of the dominant material relationships, the dominant material relationships grasped as ideas; hence of the relationships which make the one class the ruling one, therefore, the ideas of their dominance." (Marx 1998) Regarding the role of classes in social change, Cardoso and Faletto have pointed out that the pattern "from traditional to modern" was a reincarnation of the German sociologist Tönnies's old dichotomy of Gemeinschaft and Gesellschaft. They raised two objections to this: firstly, neither concept is broad enough to cover all existing social institutions, nor is it specific enough to distinguish the structures that determine the standard of living in various societies. Secondly, these concepts do not show how various stages of economic development are linked to the various types of either social structure conceived as "traditional" or "modern". "With this kind of characterization it continues to be impossible to explain the transition from one society to another. In fact, change in social structures, far from being only a cumulative process of incorporating new 'variables', involves a series of relations among social groups, forces, and classes, through which some of them try to impose their domination over society." (Cardoso and Faletto 1979: 10) What they called the historical-structural method is projected as the alternative to the prevailing, schematic and mechanical analysis: "For us it is necessary to recognize from the beginning that social structures are the product of man's collective behavior. Therefore, although enduring, social structures can be, and in fact are, continuously transformed by social movements. Consequently, the approach applied here is both structural and historical: it emphasizes not just the structural conditioning of social life, but also the historical transformation of structures by conflict, social movements, and class struggles. Thus our methodology is historical-structural." (op cit.: x) This line of thought illuminates the dictum that: "History is not simply a picture or reconstruction of what happened: it is our present construction of the past. The way we construct the past depends on how we conceptualize our world and ourselves in the present." (Gao 2008: 3)

The importance of this meta-theoretical approach is that it opens up for a historically contingent study of development and international relation and thus also opens for the inclusion of ethnicity, identity and other factors that may affect class conflict. Accordingly, the *historical-structural method*, also considers

classes as the first aspect of social structures that needs to be studied. As mentioned above, the second crucial aspect of society is the state and the third element, which has usually been left out of modernization theories of social change, is the international or worldwide context in which societies exist and change, because this, along with internal factors, has an enormous influence on the direction and nature of change.⁷

This approach opens for an analysis of the sociopolitical aspects of dependency by focusing on the conditions of the decision-making process. It enables and broadens the perspective to explain why a change of economic conditions will benefit some countries but not others. The way in which a dependent economy is linked to the world market is crucial; the linkage as well as the local response might vary. Thus, the dependency situation constitutes a historically changing pattern, the complexity of which precludes all general laws of development - particularly those claiming that all countries go through certain predetermined stages of development.

It is the intention to apply the integrated critical and CPE perspective which partly reflect dependency thinking to unveil and explain the factors behind the shaping of social change and uneven development. Regardless of the impact of the theoretical determination of internal versus external factors on the single-state's response to changes in the world system. It is the aim of this dissertation to adopt an eclectic methodological approach in contrast to mainstream IR scholarship which remain "predominantly concerned with relations between and issues of concern to the great powers, the hegemons, the large and powerful in the global political economy" (Jones 2006: 2) The standard historical references points of the discipline are drawn almost exclusively from Europe's "internal" history. Theorizing the interstate system stems from the universalized European system (Jones 2006: 3).

By adopting the integrated critical political economy perspective strengthens the focus on uneven development in accordance to the points addressed by Jones that, the social context where relations and unequal power prevails, knowledge and ideas can serve both to mystify or reveal the inequality of those relations prevail. (2006: 5; Schmidt and Hersh 2018; Schmidt and Hersh 2019). This makes it imperative to understand the role and the crisis of the state so vividly described in the literature.

Development Theory and the Crisis of the State

With the world economy having entered a new millennium the contradictions which will have to be resolved are in conjunction with the crisis of development. Much of the focus of mainstream thinking as well as more general discourses on development has a tendency to ignore externalities and their impact on changes in domestic contexts

The complete integration of all economies in the capitalist system would, even under the best of circumstances, be full of pitfalls and challenges. Given the fact that, the international economy is in a period of limbo characterized by dysfunctions on various levels, all capitalist

⁷See also Chirot (1986: 3-4).

economies (developing or developed) will face difficulties in emulating viable socio-economic models.

In capitalistic terms, the world is going through a global search for a renovated social structure of (capital) accumulation (SSA) (Kotz, McDonough, Reich 1994). The era of economic growth which was experienced by Western countries and then by East Asia is no longer operative. With due respect to Fukuyama history has not come to a close! On the contrary, the dogmatic libertarianism which has been the substance of "carpet-bagging" in the emerging capitalist economies of Eastern Europe can also be observed presently in East and South Asia and elsewhere in the Global South.

The policy recommendations by mainstream economists tend to mask the turning point of where the world finds itself. "Economics in command" is recognized as an inescapable constraint, while the solution to the social crisis offered by neoliberalism is losing terrain and becoming outdated. The world is approaching a period where "politics in command" is again on the agenda, and competitive austerity is increasingly becoming part of the international context.

The discussion of states, markets and development should not hide the fact that capitalism itself (originally as well as presently) is the result of politics. By attacking, the role of the state present neoliberalism is actually weakening the instrument for the "proper" functioning of marketregulated capitalism. The "triumph" of neoliberalism essentially promotes capital mobility across national borders and the neoliberal state favor strong individual private property rights, the rule of law and the institutions of freely functioning markets and free trade. "These are institutional arrangements considered essential to guarantee individual freedoms." (Harvey 2007: 64) This implies a reduction of the room-of-maneuver of domestic policy-makers and governments to influence the domestic market by utilizing inflation control and facilitating the competitiveness of locally based companies through "supply-side" measures. Capital mobility has not just removed the "Keynesian capacity" of national governments - their ability to influence the general level of demand. It has made all policymaking sensitive to market sentiment and the regulatory demands of transnational capital. (Leys 2003: 22) "Economics and Management" has become the "Marxism-Leninism" of postcapitalist societies - the official ideological expression of how the West works and why it "won" the Cold War. While the discourse of the neoliberal Right, politically promotes the "final victory of the universal homogenous state", defined as liberal democracy in the political sphere combined with easy access to consumer goods in the economic sphere, the orthodox herdsmen in the transnational institutions are strongly advocating shock therapy as the radical cure against Russia, China and the communist evil. (Kaldor 1991: pp.27 and 42fn.2; Hersh and Schmidt 1996) In striking contrast to the ideology of laissez-fairness, the social democrats still argue that a Keynesian mix of market allocation, social welfare and state intervention is the answer to the free-marketers.

Considered in this manner the crisis of development theory mirrors the crisis in society and I do think that we might even broaden this perspective and talk about a structural social crisis of the SSA. However, let me start here with a definition of the meaning of development. Next, I will discuss a little bit more in detail what we might term the existing explanations of development

theory - the intellectual terrain - and finally I have taken the liberty to propose a new theory aiming to solve the problems the world is facing at this historical juncture.

The Meaning of Development

Theoretical perspectives on development have changed in response to the moving historical reality of the development process and of relations between developing and developed countries. There is no doubt that conventionally, every nation, every human being, strives after development. Still economic progress is not the only component of development. Ultimately, it must encompass more than the material and financial side of people's lives. "Development should therefore be seen as a multi-dimensional process involving the reorganization and reorientation of entire economic and social systems. In addition to improvements in incomes and output, it typically involves radical changes in institutional, social and administrative structures, as well as in popular attitudes and sometimes even in customs and beliefs." (Todaro 1982: 87) Adding to this the entropy and environmental aspects are of immense importance as well as climate change and environmental issues. The transfer of the Greenhouse Emission burden from the developed to the developing countries is one of the most important problems facing humanity today but will not be further elaborated here. Nevertheless, I want to acknowledge the mainstream economic development model notably and inevitably causes the destruction of rural livelihoods of the poor, opposes true poverty eradication and food provision strategies, and devastates natural resources and ecosystems, essential not only to the poor, but to the planet. Therefore, to sustain poor people and their livelihoods in rural communities, including their access to natural resources, and to sustain essential natural cycles, a real alternative development model that would also mitigate the impact of climate change globally is needed. We could say with McMichael: "development itself needs a fundamental reformulation as an ecological, rather than an economic paradigm". (2018; 21)

Most studies of the development process in capitalist developing societies have relied on three approaches - The neo-liberal, the statist, and the dependency/world system approach. The first view is synonymous with the neoclassical tradition, while the statist approach is sometimes referred to as the 'realist' (i.e. (neo) realist/mercantilist or state-centered) perspective. Although the third line of thought emerged as a critique of the other two approaches, its definitional, relational and epistemological theoretical construction has relied on radicalism and a conflictual perspective on social change. In their overall meta-theoretical vision these trans-historical and grand social traditions differ considerably as the first and the second are Weberian while the latter two are Marxist.

It is important to stress here that, each theoretical explanation has contributed to our understanding of development in general and political economy in particular, but there is an instant lack of studies in a critical and comparative international political economy perspective. This is why I suggest that we should attempt to fill the gaps in knowledge identified above by investigating the comparative interplay of external and internal factors and how they affect and influence the role of the state as a social formation. As mentioned previously, this can be done implicitly through an analysis of the "sociology of development" and explicitly through a meta-

theoretical construct - The critical CPE which on the one hand intends to relinquish the attention away from an artificial division between state and market and instead focus on social forces and on the other hand whether and how foreign capital in the form of investment, loans, aid and other relational factors affect state autonomy and capacities. Through a comparative perspective, variation in policies and strategies of industrialization and the concomitant negotiation and bargaining with international systemic ties is accomplished and aims to discover the interventionist and regulative capacities of the state.

The major thrust of research in a CPE perspective is to turn the analysis of state and markets away from the question whether state decision making is more or less efficient than market allocation in the promotion of development. Instead, it is assumed that increasingly development is likely to be carried out by a combination of state regulation and market orientation. The question then becomes how social and political forces shape the policies that emerge from this combination and how they in turn are shaped by it. The common experience in late developing countries has revealed that in civil society, the working class is fragile and weakly organized and considerations related to the logic of domination very often prevail over the logics of the market as well as of all other institutional spheres. (Mouzelis 1994, p.127) These are questions I will come back to in the final part of this introductory chapter.

As mentioned critical CPE constitute an eclectic methodology and attacks a variety of substantive issues. Political and economic issues cannot be isolated from each other and contrary to classical political economy it is much more sensitive to international factors. At the same time, it rejects that external factors *a priori* determine the dynamics of domestic development, thus, developmental paths are historical contingent. There is a strong need for indigenization of development theory based on either Third World nationalism or regionalism and a recognition of the fact that development may follow many diverse paths and polycentric directions. It is precisely the experience of disequilibrium with which political (and social) science and their sub-discipline, development theory, should be concerned.

Therefore, the state is as central to the economics of development as it is to politics. Gerschenkron's argument is still valid that the degree of state intervention required promoting development increases in proportion to relative backwardness and suggesting further that higher levels of state entrepreneurship may have a symbiotic rather than oppositional relation to the development of markets (1962). Economic policy-making and planning are some of the most critical responsibilities of governments. The institutional capacity to both develop and effectively implement economic strategies suited to rapid shifts in domestic and global circumstances is seen to be one of the defining features of the successful state.

There is a long and well established field of research explaining the political economic determinants behind the understanding of the role of the state and patterns of economic policy-making in Japan and the Newly Industrialized Countries (NICs) including China, and the interplay of internal and external factors leading towards economic growth and welfare.

But as mentioned above, there is a lack of perspectives focusing on the issues from a societal perspective and especially there is a need in development theory for transdisciplinary undertakings trying to cross subjects and academic fields.

An Alternative Development Theory

The objective here is to suggest that research must try to explain economic development strategies in the South during a period of extensive social and economic change, and in particular test whether these development strategies have largely been state-led and are comparable with the development experiences of - the core countries or whether these states remain vulnerably dependent on factors largely beyond their control - for instance capital, technology transfer, original equipment manufacturer and in general decisions taken outside the sphere of influence of domestic policy makers.

The focus on the interlinkage between international and domestic actors, and institutions represents an effort to identify and to interpret those neglected CPE dimensions of economic policy-making which existing theories either have underemphasized or discarded as unimportant. However, most theorizing neglect the comprehensiveness and the interlinkages between internal and external factors when it comes to a sufficient explanation of why some states succeed in the end and others fail in their developmental paths.

Therefore, the question is how and why development strategies and economic policies change. I propose that different mechanisms especially unequal exchange in the international system have obstructed and extracted capital accumulation (Amin 1974). Although these economies are dubbed middle- or high-income countries in multilateral language, they expose at the same time a number of important problems, which cannot be solved overnight. These problems are related to the uneven and dependent nature of development policy and the kind of capitalist model these societies have evolved into.

The Intellectual Terrain

In the beginning of this section I referred to three theoretical visions which explain development in general. Here it is the intention to discuss and evaluate the arguments of these analytical perceptions - the neoliberal, the statist and the dependency/world system perspectives about the state's role in industrialization and the effects of the international linkages to the autonomy and capacity of the state's economic policy-making.

According to Alice Amsden (1989), the first task is to understand how "backward" countries eventually expanded in the twentieth century is to ask how they fell behind relative to the industrialized core in the first place. The first argument is that, 1) the onset of economic expansion has tended to be delayed by weakness in a state's ability to act and 2) if and when industrialization has accelerated, it has done so at the initiative of a strengthened state authority.

The reasons why some countries in the twentieth century have found themselves behind others in income and wealth can be grouped tentatively into four categories: natural resource endowment, population, market forces, and institutional factors. The natural resource explanation for backwardness can be dismissed out of hand. The association between resource endowment and per capita income is visibly weak. The attribution of underdevelopment to excess population is now also pretty well discredited. Population explosions are currently believed not to have led to failure to industrialize but rather to emerge because of such failure.

Amsden suggests that one must distinguish between the market and market mechanisms. The former refers to the institutional means to satisfy supply and demand. The latter refers to rules for allocating resources. All industrialization processes have made use of the market. However, defiance of the market mechanism does not explain late industrializers' long delay in starting to expand, nor can adherence explain why they eventually succeeded in growing (1989: 11). She puts industrialization/development in a political context that explains the dilemma of late industrialization. Politicizing development by raising the internal and external hindrances open for a better understanding of world development. Seen in this light," industrialization was late in coming to "backward" countries because they were too weak to mobilize forces to inaugurate economic development and to fend off a wave of foreign aggression begun in the second half of the nineteenth century. Their weakness, moreover, arose from internal social conflict ethnic, racial, regional, or class. Such conflict precluded arrogating enough power to a central authority to prevent foreign intervention, invasion, or the catastrophic loss of statehood altogether" (1989: 12). Thus, the choice of theories, strategies and models of development we are dealing with has real-life consequence. However, different actors also seek to create contrasting world orders through the existing mechanisms of global deliberation and economic policymaking.

The key to understand the role of the state's role in the interface between domestic and international actors and institutions is related to the way the problem of economic policy-making is approached. One may analyze how economic polies are transferred through either band-wagoning, convergence, diffusion, emulation, policy- and lesson-learning, emulation or transnationalization. Policy transfer is a generic concept referring to how knowledge about institutions, policies, delivery or regulatory systems are transferred into another government system (Evans 2019: 95).

The Neoclassical Perspective

The almost universal neoclassical belief and its subsets, the neoliberal approach and Public Choice theory is that the key to development lies in the efficient allocation of resources within the framework of free competitive markets.

The major problem according to the neoliberal perspective and public choice theory is that in fact the state is much more prone to failure than the market. They are undoubtedly influenced by the ability of neo-classical economics to demonstrate that Pareto efficiency can be achieved in some market settings. However, such a view may neglect the institutional structure of markets

themselves. Like public agencies, markets exist only within a certain organizational framework, and variations in that framework can profoundly affect their operation. Some studies recognize that barriers to entry, information and transaction costs, internal labor markets, oligolopolist positions, and the like can affect market operation. However, many other facets of institutional setting can influence the behavior of market actors (Hall 1986: 11-12).

According to the neoclassical view, the essential political functions of government are those supportive of the market economy:

- 1. Maintain macroeconomic stability;
- 2. provide physical infrastructure, especially that which has high fixed costs in relation to variable costs, such as harbors, railways, irrigations canals, and sewers
- 3. supply "public goods," including defense and national security, education, basic research, market information, the legal system, and environmental protection
- 4. contribute to the development of institutions for improving the markets for labor, finance, technology, etc.
- 5. offset or eliminate price distortions which arise in cases of demonstrable market failure
- 6. redistribute income to the poorest in sufficient measure for them to meet basic needs. (Wade 1990: 11)

Wade, refers to still another variant - the simulated free market explanation - goes beyond the "classical" neoclassical and neoliberal models described above because it acknowledges that significant government intervention effectively offset other distortions arising both from market failures and from other government policies. The essence of this argument is that South Korea and Taiwan maintained an effective exchange rate regime that likewise was supportive for exports while discouraging imports. Distortions introduced by protectionist policies favoring import substitution are offset in a simulated market situation by export promotion incentives.

A number of authors have successfully explained that the "neoclassical counter-revolution" to use John Toye's terminology (1987), rests on rather fragile intellectual assumptions and foundations. Furthermore, most scholars agree that structural change is an essential part of development, reducing the notion of "getting prices right", which is the neoclassical prescription. Finally, there is no theoretical basis and no historical evidence for concluding that an "undistorted" price system will lead to a higher level of welfare and growth than one applying government interventions. According to Haggard, contemporary liberals, like their nineteenth-century precursors, tend to ignore the political dimension of the international economy. The fact that asymmetric economic interdependence could generate power relationships between countries did not generally concern them. (1988: 11) In fact, the neoclassical theory relies on "Darwinian fundamentalism" where "social and economic inequalities spawned by capitalism tend to be justified by showing that capitalist market competition is a form of natural selection of the most industrious and enterprising individuals who will improve the national economy." (Deb 2009: 46)

The central critique of this view is that the neoclassical framework is not fully consistent; in particular, it underrates factors external to individual economies. Essentially it underemphasizes how the foreign resource constraint interacts with other key aggregate variables (mainly the fiscal constraint, investment, and saving) as well as with economic policy in determining patterns of distribution and growth.

The policy implications are that somehow overcoming internal disruption and searching for plausible export lines are prior conditions for economic viability; not that liberalizing an economy will miraculously "open" it to growth through trade.

In the contexts of industry and finance respectively, the irrelevance of liberalization to growth can be dissected in terms of distinct notions of "allocative" and "productive" efficiency: the latter is by no means assured by putting the former into place. Market and capital stock structures, forms of financial intermediation, resource "endowments" as defined by changing technology and tastes, and the size of the economy, historical fetters from colonialism, access to geopolitically determined capital inflows and penetrable markets etc. affect productive efficiency in ways that the worldview reflected in the neoclassical framework cannot comprehend. Nevertheless, neoclassicism has had a relatively hegemonic position in development theory and provided the theoretical foundation for modernization theory or what can be termed liberal developmentalism.

Modernization Theory and Political Institutionalism

In the end of the 1950s, just before decolonization began on a worldwide scale, there was a common optimism especially among American development researchers. Influenced by ideological Eurocentrism they promoted a series of theories based on the notion of comparative history. According to this world view American and European (Anglo-Saxon) development was promoted as the ideal and final objective of the evolution of Third World societies. (Rostow 1960; Almond & Powell 1966) Central to early modernization theory was the notion of a dichotomy between traditional and modern societies, conceptualized in essentially Weberian terms. Traditional societies were defined as being pre-state, prerational and pre-industrial. Most Third World societies were seen as exhibiting a pattern variable which approximated to the traditional ideal type. Liberal developmentalism can be called growth and modernization theory, because most studies dealt with political development in the context of economic growth and ensuing modernization. These liberal developmentalist applications have been criticized as biased and reflecting an ethnocentric reliance on the Western model. As Packenham has pointed out, this social and cultural orthodoxy was based on four central tenets: change and development are easy! all good things, such as economic growth and democracy, go together, radicalism and revolution are bad; and distributing power (pluralism) is more important than centralizing power. (Packenham 1973 quoted in Higgott, Robinson, Hewison & Rodan 1985) The copying of the European experience rely on Western dominance and the orthodoxy that it is the "autonomous" and "pristine" West that has alone pioneered the creation of the modern

world. Quite the contrary as Hobson notes: "First the Easterners created a global economy and global communications network after [the year] 500 along which the more advanced Eastern resource 'port folios' (e.g. Eastern ideas, institutions and technologies) diffused across the West, where they were subsequently assimilated, through what I call Oriental globalization. Second, Western imperialism after 1492 led the Europeans to appropriate all manner of Eastern economic resources to enable the rise of the West. In short, the West did not autonomously pioneer its own development in the absence of Eastern help, for its rise would have been inconceivable without the contributions of the East." (Hobson 2004: 1, and 2-3; Schmidt and Hersh 2019)

For institutionalization and functional mainstream theorists, political development is associated to societal order or stability, while modernization means political institutionalization (Huntington 1968). Hand in hand with the belief that, the Western model and patterns of development were appropriate and relevant to the Third World situation, fundamental challenges in the way of thinking became necessary in the field of comparative politics. The idea of "social progress" or "social growth" has enjoyed great vitality in Western thought for several centuries. The ideal of progress occupied a prominent place in the eighteenth-century Enlightment; reformulated as a principle of evolution, it dominated the theories of most nineteenth-century social thinkers; and in the twentieth century, the concept has reappeared under headings such as "economic development" or "modernization". (Smelser 1968: 243)

Even if we accept the fact that economic growth essentially affects the transformation of traditional political institutions, we cannot say definitely, what political system will replace them? It will be shaped by other factors such as societies cultural underpinnings, composition of elites, institutional characteristics, and political environments and influences - internally and externally. As Huntington notes, "(t)he primary problem of politics is the lag in the development of political institutions behind social and economic change" (1968:5). What he stresses is the importance of the capacity of effective government to keep order and stability as the highest political objective. For him, political development is defined as the enhancing of the capacity of political institutions to sustain the continuous transformation necessitated by the challenge of modernization and the demands of expanding participation (Huntington 1968). This framework sparked a paradigmatic shift in dealing with political development in the Third World, which involved a rethinking of the role of the state in relation to economy and society. It culminated in development studies in a series of research in the so-called state-centered approach (Tilly 1975; Krasner 1978; Stephan 1978; Trimberger 1978; Evans 1979; Skocpol et al. 1985).

The functional models and systems theory like those proposed by Easton generally explains policies as the performance of functions requisite to the maintenance of a given political and economic system. For instance, it is often suggested that economic policies are pursued in order to ensure in particular the performance of two functions: that of accumulation, understood as the

maintenance of conditions for the profitable accumulation of capital, and that of legitimation, understood as the maintenance of social harmony and support for the regime (Hall 1986 229-230).

The sociologist Barrington Moore Jr. concluded at the peak time of the growth of development studies, five decades ago that there is in fact no exclusively given route to modernity, which must be taken by all countries. Observing variations in the relations between landlords and peasants, he stressed different political changes and historical paths to the modern world from the pre-industrialized period: democracy, communism and fascism (Barrington Moore Jr. 1981). Correspondingly, based on Moore's comparative historical approach it is obvious that, the crisis of liberal developmentalism came from the historical fact that, most political and socioeconomic conditions of the Third World did not fit into the diagnosis and expectations created by the diffusionist modernization theory. Thus, instead of theorizing the causes of change in developing areas as this structural functional model of political development claims to do, the liberal developmentalist approach based on a rigid blend of Parsonian pattern variables with Eastonian input-output system theory ends up with a tautological study of systemic response to change not the change itself. (Easton 1971; Rudebeck 1982; Charoensin O-Larn 1988).

In addition, the standard problem of functionalist analysis: the factors linking the system and its associated functions to actual policies remain underspecified; and in their absence, a transitory empirical correlation between the existence of capitalism and planning is assumed a causal connection (Hall 1986: 7). These theories, furthermore, share another weakness with several other mainstream theories concerning the role of the state, economic reforms, economic policy-making and state capacity and autonomy that fail adequately to ignore that it is a *capitalist* political economy for which economic policy-making is being made. Thereby, they ignore alternatives and by accepting the status quo, it is not possible to move beyond the conventional.

Dependency Theory/World Systems Analysis

Also in the 1960s new theories appeared which emphasized the role of external constraints in the development process. As a main point of view, those theories claim that the industrialization of the developing countries in the periphery must occur via the construction of an industry capable of manufacturing capital goods and consumer goods, which up till then had been purchased abroad i.e. import substitution industrialization (ISI). (Prebisch 1950, 1959, 1961 & Singer 1950) As part and consequence of ISI, a critical Marxist position - the dependency school - rejected the modernization approach, resulting in vast literature and research production. It was based on the relationship between international institutions and their connection to domestic structures. In general terms, the "dependentistas" amalgated the three rays of influence radiating from the international to the national into one all-powerful deterministic source of explicatory potency. Thus, dependency was presented as the consequence of lack of autonomy of the periphery (Baran 1957; Frank 1967; Emmanuel 1972). However, as Paul Baran first tried to turn Marxists' attention from class relations in developed countries to those in developing countries, so too a small group of researchers sought to refocus "dependentistas" toward

distinction in the political economy of developing countries that, 'would condition different responses to the world capitalist system' (Lim 1982: 27). Often incorrectly grouped within the relatively mechanistic dependency tradition, these theorists have been more accurately labelled the 'new dependency' school. (Evans 1979; Cardoso and Faletto 1979; Lim 1982; Permtanjit 1982)

While not pursuing the world system's level of analysis (Wallerstein 1974, 1979, 1983; 1994), this school built on the distinctions between the different categories: peripheral, semi-peripheral and core states, and in particular they focused on Wallerstein's theoretical construct of the semi-periphery, which could be conceptualized as those developing countries that have undergone more than minimal industrialization and in the process gained some control over the created surplus. In this view, the semi-periphery would consist of the East Asian model including Japan and China. Peter Evans took Cardoso and Falettto's "associated dependency" analysis as point of departure for a ground-breaking opening that analyzed in detail "the bases for conflict and cooperation among representatives of international capital, owners of local capital, and the top-echelons of the state apparatus" in Brazil (Evans 1979: 4). These three interest5 groups interacted to form a "triple alliance", cemented through overlapping common goals.

Although the dependency school and world systems theories operate at the societal level are neo-Marxist in character, they seem to underemphasize the importance of domestic class relations and the possible role of each nation's historical contingent path. The "associated dependency" approach concern for alliances between sets of institutions did not lead to deep analysis of how factions within elites and state institutions interact. In the context of explanations on how the world economy interacts with the uneven structure between strong and weak states, the thesis of the New International Division of Labor (NIDL) suggests another explanation (Froebel, Heinrich & Kreye, 1980). Almost a century after Marx defined the NIDL, the concept has taken a contemporary overhaul as a powerful descriptor of the modern transnational economy. Now parts of the Third World including China are seen as a competitive supplier of manufactured goods and play a crucial role in the new restructuring of the global economy. Frobel et al. define the concept of the NIDL in the context of the shifting demand of the world market for labor and production sites. According to the authors the preconditions forcing the development of the NIDL include: a worldwide reserve army; a high global surplus of capital; advances in transportation and communication technologies; which altogether make "world market oriented industrialization" possible; that is, a global factory in which a productive division of labor spans the globe.

This theory of the NIDL is very pessimistic with regard to the consequences for the host nations in the periphery. NIDL creates "growth without development", inter alia, because there is no solution to the employment problem, there is no transfer of technology, and it does not imply any foreign exchange for the host country etc., hence increasing dependency of the periphery.

This has been roundly criticized on a number of grounds. Inter alia, it overstates the extent and prospects of a general relocation of jobs from developed to developing countries, and

by focusing almost exclusively upon the export-led growth of a rather small number of NICs. Likewise, it overestimates the role of TNCs whilst underestimating the extent to which the state, and even indigenous bourgeoisies have played in mobilizing capital in the Third World (Southall 1988; Castells and Tyson, 1989).

This cluster of explanations sees national policies as the product of the working of the international political economy (i.e. determined by a country's position in the sequence of international economic development).

These theoretical approaches have been confronted with problems as a process from authoritarian to civilian rule and the establishment of democratic processes have taken place in a number of countries although this seems to turn around again nowadays.

Categories such as "dependent", "peripheral", "comprador" were thrown into question, and a shift into other types of analyses took place. This resulted in a less deterministic approach to political change and the position of the state, and a move away from rigid dependency analysis. Nevertheless, a number of scholars have taken up the approach again, especially its associated dependency variant by Evans, Cardoso and others.

In short, the orthodox dependency approach holds a pessimistic outlook that assumes that developing countries are unable to solve their deep-rooted developmental problems.

The Statist and catching-up Perspective

The literature connected to the role of the state provides an answer to the complex issues behind the interrelationship between international actors and institutions and especially its' ambiguity concerning the issue of the relationship between a state's autonomy and its capacity (Crone 1988). However, at the same time as world market theories, whether Marxist or otherwise, clearly underestimates internal factors in general it is certainly also clear that statism appeared especially in academic milieus in the United States and the United Kingdom as reactions to the neo-classical counter-revolution (Toye 1987) of Ronald Reagan and Margaret Thatcher and the theoretical herdsmen of neoliberalism of the Chicago school.

In contrast to the societal perspectives, the idea of the modern state is associated with a form of public power constituting the supreme political authority within a certain defined sovereign boundary. Although it is possible to divide conceptualizations about the modern state into Weberian and Marxist paradigms, I have chosen here to revise the Weberian perspective and leave the discussion about the Marxist position of the state as treated above under the heading of dependency/world system theories.

In the Weberian tradition, the state is defined in terms of the public authority having the monopoly of use of physical force within a given territory and sovereignty with respect to the outside world. The Weberian approach emphasizes harmony, efficiency, and order in the bureaucratic organization

of the state; and conceives of the enhancement of the role of the state through the legitimization of its activities.

Against competing pluralist and Marxist models, state-centric theorists argue that policy is not primarily a reaction to pressure from interested social groups. Instead they suggest that the state should be seen as far more autonomous from societal pressure than previously imagined. In their view, the state has interests and policy preferences of its own, as well as the capacity to impose these preferences against societal resistance.

The volume "Bringing the State Back In" by Theda Skocpol et al. is a promising enquiry. To fully elaborate, however, one must move toward a more complete consideration of state-society relations. The capacities of a state to implement a program tend to depend as much on the configuration of society, that as of the state. However, it is questionable if contemporary states are as autonomous from societal influences as state-centric theories imply (Hall 1986: 17).

Two important scholars revised the statist argumentation. One was Chalmers Johnson who claimed that the societal structure of the state in Japan was based on the "Capitalist Developmental State" model, while Alice Amsden proposed the concept of "the late-industrializing state".

In the words of Chalmers Johnson neo-mercantilism in the Japanese-type-capitalist developmental state has four fundamental structural features: 1) Stable rule by a political-bureaucratic elite that does not accede to political demands that would undermine economic growth or security; 2) cooperation between public and private sectors under the overall guidance of a pilot planning agency; 3) heavy and continuing investment in public education for everyone, combined with policies to ensure the equitable distribution of national income; and 4) a government that understands the need to use and respect methods of intervention based on the price mechanism (Johnson 1982; 1986: 565; 1987).

Other important proponents of the statist view argue that states in capitalism have always intervened to spur economic activity (Polayni 1957). The state in late industrialization has intervened to address the needs of both savers and investors, and of both exporters and importers, by manipulating multiple prices. In late-industrializing countries, the state intervenes with subsidies deliberately to distort relative prices in order to stimulate economic activity. This has been as true in Korea, Japan, and Taiwan as it has been in Brazil, India, Turkey and China. In Korea, Japan, and Taiwan, however, the state has exercised discipline over subsidy recipients. In exchange for subsidies, the state imposed performance standards on private firms. Subsidies have not been giveaways, but instead have been dispensed on the principle of reciprocity. With more disciplined firms, subsidies and protection have been lower and more effective than otherwise. Below the level of the state, the agent of expansion in all late industrializing countries is the modern industrial enterprise, understood as a type of undertaking that can be described as large in scale, multidivisional in scope, and administered by hierarchies of salaried managers (Amsden 1989: 8-9).

Not to be forgotten is the quality of labor and control by the state in order to keep wages low is a determining factor in the international division of labor.

When all is said and done, the question will then be what disciplines the state and enhances the developmental project of the elite? The developmental state advances capital rather than accumulating it, or at least does not allow its own enrichment to derail the development objectives and effort.

It leaves us with a serious problematic. Once societal explanations for the direction of public policy have been rejected, with what kind of explanation are we left? To say that policy is the product of state action, whether in the public interest or not, is hardly an explanation. As in an older style of systems theory, the state looms again as a black box, central to the explanation of political outcomes yet opaque. (Hall 1986: 15)

Furthermore, the notion of 'state capacities' adds an explanatory element to state-centric theories. Several theorists argue that a state's choice of policies will be heavily influenced by its existing capacities to carry out a range of policies. Those that require the costly development of new capacities are less likely to be pursued. Alternatively, the success or failure of a policy will depend largely on the institutional resources that the state has available to secure its implementation. (Hall 1986: 16)

The statist perspective contributes to the theory of development by highlighting the decisive role of the developmental state and it is used by East Asian state managers and planners to even justify protectionism and internal political intervention in their economies.

Of major importance is that it fails to bring in the primacy of geopolitical factors and regional dynamics to explain the origins of the developmental state. If autonomy and capacity are characteristics of this kind of state, this approach does not in a sufficient way explain where it came from, and why it didn't tum up earlier. Furthermore, it has a tendency to avoid the "dark side" of development such as labor exclusion, violation of human rights, environmental degradation and contradictions and conflicts with core nations with regard to economic policies.

Concluding remarks

Development theory may in general be seen as a corrective to the static and ethnocentric biases in mainstream social sciences. The necessity of linking it to IR is not only a challenge to the discipline itself but may be seen as an overall reconstruction of the social science in general. This is why it is necessary to explore and revisit the theories involved and extrapolate how they fit with the general requirements of the interdisciplinary and normative project which is part and parcel of development theories. These observations are based on the idea that theorizing about development is a neverending task and the definition of development rely on an open-ended concept. (Hettne 1990)

Some commentators divide development theories into the classical period relying on Eurocentric approaches (post 1945); The second phase sometimes referred to as the Golden Age (1950s

onwards) with its focus on planning, employment and catching-up; while the third period marked (post 1970s) focusing on the interactions between the North and the South; Neoliberalism and neostatism (1980s onwards); and then alternative theories and the introduction of green development emerged (the new millennium). However, it would be wrong to promote this historical categorization since none of those theories described disappeared. On the contrary, many debates are still relevant today and the hegemony of the neo-classical, modernization and neo-liberal approaches are self-evident. (Payne and Phillips 2010)

We will re-enter these debates in chapter eight, which introduces the emerging links between development theories and IR theories.

Catching-up and Economic Policy-Making

The notion "political economy" has been stretched out of shape in recent years by mainstream scholars anxious to subvert the Marxist theoretical approach. This perspective focuses on the ways capitalism shaped politics, society, and culture. This mainstream analytical conceptualization of political economy has therefore been revised to focus on public policy and the financial and industrial institutions promoting economic growth in capitalist societies. The basic assumption of the liberal approach is that this is a presumptively benign process whereby the "neutral" state rationally, following Weber, bestows rewards and inflicts punishments on private and public capital in the course of policymaking. Thus the logic is that the best person wins, it's only business, nothing personal, but X gets the capital, Y does not. This type of so-called "objective" social science based on neoclassical and neoliberal theory must be rejected. As mentioned above, it provides one of the foundations of societal evolution within modernization theory, and is based on a rigid understanding of closed socio-economic entities.

I have elaborated elsewhere on the theoretical underpinnings of the debate on international political economy and why the mainstream explanation must be criticized for its historical tautology (Schmidt 1993a; 1994). What is interesting here is to relate this debate to economic policy-making as a theoretical concept and discuss its explanatory value in order to establish a theoretically informed framework rather than a new theoretical construct. A framework that can be utilized in empirical analyses by defining conceptual tools, categories, and guidelines for analytical application.

A discussion of the internal and external constraints on economic policy-making raises questions that must be explained in theoretical terms: 1) how is economic policymaking to be defined; and what is the role of the state? 2) How to define the most important societal and extra-societal actors, institutions and classes with a potential political influence on economic policy-making? 3) How to define capital accumulation, catching-up, and social conflict?

In short, this section discusses the necessary theoretical concepts related to economic policy-making, but does not yet, adhere to provide a new theoretical model *per se*. In the final chapters, the aims at rethinking and combining a Weberian inspired political institutionalization theory with a historical, comprehensive, and structural approach based on critical Marxism and partly the "associated

dependency" model will be elaborated upon. This is assumed to enhance a better understanding and explanation of the constraints and possibilities inherent in the political economic dynamics of policy-making in the Global South.

Interpretations of Economic Policy-making

The initiation, implementation and outcome of economic policy alter the welfare of millions, and is a process deeply conditioned by broader struggles between competing actors and institutions, ideologies, and social classes. To understand the dynamics of economic policy-making we need a model of the polity itself. The cases presented in this thesis suggest that the existing concepts of politics should be revised to incorporate a more complete account of the ways policy is affected by an underlying institutional and systemic logic in order to complement the CPE approach, which will be discussed in the end of this section.

As they attempt to govern the economy, states must also manage social conflict. The problems of policy formation are not simple. Each state must respond to competing pressures and each policy must simultaneously accomplish multiple tasks. (Hall 1986: 5)

How are we to explain why nations choose different policy paths and divergent political strategies to deal with similar economic problems? When those policies founder, can they be changed? At such points, what determines the course economic policy will take? To what factors do the economic policies of the state respond? These are the questions addressed in this section. They are important because state intervention has come to play an increasing role in humankind's collective economic fate. But surprisingly very little is known about the factors that influence economic policy.

To begin, we must move beyond the view of policy-making implicit in most economic textbooks. They tend to see policy primarily as a response to prevailing economic conditions, and policy-making as the resolution of technical issues. To some degree, of course, this idea is quite valid: policy does respond to economic conditions. Nevertheless, such a view is far too incomplete. Governments also make economic policy, and governments are political entities. Unless economic policy-making is peculiarly immune from the sort of influences found in most other policy areas, we can expect political variables to have a decisive impact on its formulation and outcome. The realities behind economic policy-making make it a highly political process. Politics involves power.

The following gives two interpretations of the political institutionalist approach. Both of which have been touched upon and implicitly criticized above in the chapters regarding the role of the state in development. Both of them concern the domestic actors and how they influence policy. The first is the "group theory" approach and the second is more oriented toward the significance of institutional factors in economic policy-making. After this review, it is the intention to discuss the approach, which is going to be applied in this study, taking into consideration some of the ideas and elements of political institutionalism.

Group, Class and Coalitions Approach

Economic policy is one of the most important activities in any state structure and therefore it is not surprising that there are serious contentions in the use of concepts explaining state actions. The determinants behind economic strategy are based on subjective choices and endorse a particular understanding of political economy. (Hall 1986: 5)

This claim challenges much of the existing literature. As previously mentioned, several important lines of analysis have been developed to explain national economic policies; and each contains an implicit polity model. Behind contemporary analyses of economic policy we find the various competing approaches: neo-classical, functionalist modernization, world system/dependency, state-capital relations, and state-centric models of politics. Each seems, however, to suffer from some shortcomings or rather they may complement each other.

In the group theory paradigm, the essential unit of analysis is not the political system as a whole or the individual agents but the groups or classes who enter social conflicts during the policy-making process. Policy-making in the contemporary state is usually an incremental process in which many elements are aggregated. While the outcome may be an implicit class coalition of interests, formulation of policy is often only obliquely related to the aspirations articulated by the spokespersons of social classes.

Considering the conclusions of existing theories of strategy choice, individual actor models of politics, for example, explain economic policy formulation as the product of economic actor preferences. Business, agriculture and labor hold policy preferences shaped by their positions in the international and domestic economy (Bowie 1989: 3) making these institutions difficult to conceptualize within these models.

This set of models emphasizes the role of intermediate associations, and suggests that economic actors' preferences are not sufficient by themselves to explain strategy. Functional position alone is too blunt an instrument to bring about policy change. The preferences of economic actors must be marshaled and organized. Therefore, according to this approach, the focus ought to be on intermediate associations (political parties and interest groups), which provide the crucial link between the preferences of individual actors and the actions of policy-makers. This approach stresses both the variety and independent influences may attempt to impact on policy. The basic unit of analysis thus becomes the association or class, rather than the individual (Bowie 1989: 5). The idiom of isolating political processes and institutions influence may be obsolete or at least incomplete since there are many other factors influencing economic reforms and economic policy-making.

Institutional Approach to State-Society Relations

As referred to the above, the state-capital relations approach argues that the role the state plays in the reproduction of a capitalist economic system is in the interests of domestic capital. This theory notes that the behavior of "state managers" is heavily influenced by the organization of the polity and the economy as a function of the state's organizational position within the political system; this gives "state managers" a broad realm as well as some ability to resist pressure from individual segments

of business; but dependence on "business confidence" in order to secure economic prosperity and legitimacy also limits the degree policies could diverge from business interests. Building on early statist theory (Katzenstein, Skocpol, Gourevitch and others) Peter Hall suggests a Weberian inspired institutionalist alternative in order to construct an analysis of politics that is capable of explaining historical continuities and cross-national variations in policy. It emphasizes the institutional relationships, both formal and conventional, that bind the components of the state together and structure relations within society. While those relationships are subject to incremental change and more radical change at critical conjunctures, they provide the context in which most normal politics is conducted (Hall 1986: 19).8

The institutionalist approach emphasizes the structural characteristics of the polity and the economy as key determinants of economic policy paths. Explanations of this type usually focus on state structures, emphasizing the crucial role of formal state institutions, bureaucracies and rules in linking economic actors and representative associations on the one hand, to policy outcomes on the other. State decision-making mechanisms have an autonomous effect on policy - they influence not only the ways in which actor preferences are aggregated through intermediate associations (different rules, such as proportional representation, favoring different aggregations), but also how these associations must act through the state to achieve their policy objectives (different types of state institutions - centralized or dispersed, "strong" or "weak" - are more amenable to associative pressure). Policy is seen as "more than the sum of countervailing pressure from social groups," because that pressure is "mediated by an organizational dynamic that imprints its own image on the outcome." (Hall 1986: 18-19) ⁹ Policy similarities or differences among countries derive from the specificities behind the character of their state structure (Bowie 1989: 7-8). As such, this perspective emphasizes the potential autonomy of the state.

Contrary to the institutional approach, these observations, are consistent with the catching-up static concepts of the CDS, and especially with the "governed market approach", which rests on the following arguments about the role of the state in the East Asian NIC's model and later on China as well.

1) The state actively intervened in trade policy. Tariff and non-tariff instruments of protection (for instance, permitting imports of specific products only from countries that were non-competitive suppliers) were significant in affecting the direction of industrial development, and continue to be in

⁸The World Bank provides a narrow "political economy" definition of institutions: institutional development is synonymous with institution building and is defined as the process of improving an institution's ability to make effective use of the human and financial resources available. This process can be internally generated by the managers of an institution or induced and promoted by the government or development agencies (World Bank 1987: 11).

⁹Hall's structural analysis is not limited to the organization of the state, but extends to the influence of the organization of capital and labor and of the country's position in the international economy (1986: 259). As such, his approach encompasses aspects of the economic actor, intermediate associations and state systems models and seems compatible with the CPE approach.

place today. In many instances, protection in the domestic market has been conditional on enterprises becoming competitive in international markets.

- 2) The state maintained tight control over foreign investment through industrial licensing and the imposition of local content requirements and by making acceptance of foreign investments conditional on performance.
- 3) The state exercised command over the financial sector and thus over the allocation of credit. Government regulations limited the growth of non-banking financial institutions in order to preserve the position of the banks. The largest are owned by the state which makes key decisions on senior appointments and on policy. As a measure to retain autonomy foreign banks were largely excluded.
- 4) State-owned enterprises have played a primordial role in the economic process.
- 5) Use of a variety of state controlled discretionary investment incentives (Wade 1990).

Accordingly, this type of measure reflects a strategy carried out as dirigism policies¹⁰ which also consist of sectoral plans drawn up by the state rather than industry, where individual firms are the direct object of numerous programs, and where a host of public sanctions are employed to enforce implementation (Wade 1990: chp. 1). Most regimes confront a similar set of imperatives associated with the maintenance of power. However, the nature of their response is subject to wide variations, and its precise form is strongly influenced by the institutional setting within which the state is located. In other words, the state is an endogenous variable within a particular social, economic, and international system (Hall 1986: 57).

In opposition to mainstream Western development theories, including modernization theory and neoclassical theory, there are four elements related to the structural setting of the state that have proven to have had important influence over policy and autonomy of the state: The country's position within the international system; the organizational configuration and the socio-political structure of society; the institutional structure of the state; and the nature of the wider political system, understood as political parties and interest intermediaries that seek to impact policy.

One of the central analytic problems is to explain how change and continuity coexist. What elements act as forces for change in the policy arena? Which constraints condition new initiatives in such a way as to draw many of them back towards older patterns of policy?

The Institutional Logic of Political Economy

1 не 1 полишения води од 1 описат веоноту

¹⁰Dirigisme in the French sense contains the idea of directional thrust, or orienting power, in the hands of government.
Wade uses dirigisme, guided market and governed market more or less interchangeably, to mean strongly influenced by the state rather than tightly controlled (Wade 1990: 8).

The points of the institutional approach, and to a certain degree the contributions of the statist perspectives, aim to develop an alternative view of the political determinants of economic policy by linking these to the structural constraints implicit in the socioeconomic organization of each nation.

Interestingly, national economic policy may be influenced by what is desirable and what is possible by: "first, by what a government is *pressed* to do, and secondly, by what it *can* do in the economic sphere." (Hall 1986: 232)

The governed market theory recognizes that the superiority of East Asian economic performance wa s due in large measure to a combination of: 1) very high levels of productive investment, making for fast transfer of newer techniques into actual production; 2) more investment in certain key industries than would have occurred in the absence of government intervention; and 3) exposure of many industries to international competition, in foreign markets if not at home. At a second level of causality, these measures are the result of a set of state policies. Using incentives, controls, and riskspreading mechanisms, these policies enabled the state to guide - or govern - the market processes of resource allocation so as to produce different production and investment outcomes than would have occurred with either free market or simulated free market policies. At a third level of explanation, Wade points to the same argument as Hall and Johnson that the policies have been permitted by a certain kind of organization of the state and the private sector (Wade 1990: 26-27). This thinking builds on Johnson's idea of the CDS with a small number of powerful policy-making agencies that recruit from the best qualified personnel: "The pilot agency performs think tank functions, charts the route for economic development, decides which industries ought to exist and which industries are no longer needed in order to promote the industrial structure which enhances the nation's international competitiveness, obtains a consensus for its plans from the private sector, and provides positive government supports for private economic initiative." (Wade 1990: 195) These "economic general staff" agencies have, similarly to MITI in Japan, obtained relative autonomy from societal forces either through (soft) authoritarianism and corporatism or by the value mindset of developmental paternalism. (Devo 1989: 189)

Still the main problem with institutionalist and statist approaches is that economic policies of each nation are affected by two other factors: the location of the nation within the international political economy and the interlinkage between geo-economics and geopolitics, and the type of political system. (Hersh 1993) One of the problems in these approaches is that, although for instance, Wade provides a detailed analysis of the economic agencies of the state, he has little to say about the process of economic decision-making, which remains very much a black box in his presentation. Furthermore, this failure to elaborate on the nature of the relationship between state and private economic actors remains the weakest part of the conceptual framework based on *dirigisme*, governed market, and the developmental state. One plausible explanation to this lacuna is as Wade himself notes "the enormous difficulty in getting evidence about government decision-making." (Wade 1990:306- 327 fn.14)

With this critical review in mind of what can be called rather descriptive, narrow, interest-group and institutional approaches to the political economy of economic policy-making, and on the background

of a sufficient awareness of the variables of the institutional and organizational factors - we have to move beyond those approaches to complement and add other relevant theoretical tools and instruments which are suitable for the kind of analysis which is intended in this present study. It still remains a problem that very little has in actual fact been written on the political process of economic policy formulation and decision-making in the Global South, and even less on the interplay of national and international forces that affect the process. In the following I want to propose the fifth major challenge to theories of political economy and economic policy-making - the CPE and the sociology of development approach, which can be seen as an attempt to bridge the statist institutionalist framework with critical international political economy.

Capacities and Bargaining Strategies in the Global Disorder

Too often academics seem to be juggling with theories, concepts as well as paradigms with limited concerns for the evolution of real politics. In my view, such a linkage is necessary to understand world development. In contrast to the analysis in the previous chapter, the reality of economic policy-making in developing countries, no matter which theoretical corner one belongs to, is in most cases based on a determining external intervention indirectly based on United States exceptionalism. This raises the question whether it is possible to de-link geopolitics from geo-economics.

When speaking to a joint session of Congress on 11 September 1990 (eleven years before 9/11 2001 and the attacks on World Trade Center under President Bush Jr.), during the build-up for the first Gulf War, President George Bush Sr. for the first time mentioned an overarching objective of U.S. foreign policy: "A new world order ... a new era - freer from the threat of terror, stronger in the quest for peace, an era in which the nations of the world East and West, North and South, can prosper and live in harmony. Today, that new world is struggling to be born, a world quite different from the one we have known, a world where the rule of law supplants the rule of the jungle, a world in which nations recognize the shared responsibility for freedom and justice, a world where the strong respect the rights of the weak." (US Department of State Current Policy Document No. 1298) This benign statement turned out to be a very short-lived vision.

Soon after the first Gulf War victory, it became clear that the survival of Saddam Hussein's regime was believed to be beneficial to Western strategic interests of securing the unity of Iraq and thus the containment of Iran and Islamic fundamentalism. This followed the demise of communist party rule in the former Soviet Union and Eastern Europe, ethnic strifes in former Yugoslavia, religious fundamentalism in the Arab world, and possible nuclear proliferation in Israel, Pakistan, India, North Korea and Iran. Contrary to the promises of a new peace dividend benefitting the developing countries

However, some important attempts have been made primarily in a neo-institutionalist perspective in the edited collections by Langford and Brownsey (1990); Timberman (1992); MacIntyre and Jayasuriya (1992), but see also attempts in a critical political economy perspective in Schmidt (1993), and the state-capital relation perspective i.e. the "Murdoch school."

the world had become a dangerous place. Richard Falk described this situation as the new world disorder of the post-cold war. (1993: 147)

The harsh reality of disorder and the sheriff mentality of the United States was reflected in the logic of the thinking that dominated policy-makers over the last decades. One position found its expression in the influential conservative thinker Samuel Huntington's promoting a notion of conflicts between civilizations, "Christianity against a Confucian-Islamic conspiracy" (Huntington 1993). However, contradicting himself, he acknowledges that cultural, religious or other civilizational differences have only been one of many factors responsible for conflicts. Territory and resources, wealth and property, power and status, individual personality and group interests are other conducive factors (Huntington 1996). Contrary to the clash of civilization paradigm, Stanley Hoffmann, another influential US political scientist conceptualized a benevolent new world order based on the peace dividend: "The end of the Cold War as providing an opportunity for the establishment, not quite of a world government, but a halfway house managed by the US, Japan and the EC, with Russian support, which would, inter alia, deny advanced technology to the Third World, ensure the latter's compliance with Northern-defined environmental standards and drug eradication programs, and dole out aid (presumably permanently) for 'health care, energy efficiency, agricultural productivity and human rights'. The idea apparently being that the Third World is to become a permanent ward of the advanced countries, with no hope or intention of ever aspiring to equality." (Hoffmann 1990)

On the other hand, the World Bank and IMF presented a reinforcement of the neo-liberal paradigm of economic policy interventionism based on a critique of comprehensive development planning. The neo-liberal economic policy-making intervention was based on a rising trend towards privatization, deregulation, and removal of exchange controls, increasing reliance on market-determined interest rates and reducing the role of the state in economic strategy. In this paradigm, the market to reign supreme in the allocation of resources and incomes, and the private sector is left free and unfettered and allowed to take the lead in promoting economic development. (Adams 1993: 224)

Despite the ideology of the Washington consensus promoting a rosy picture of free markets leading to global prosperity, protectionist pressures have been growing. Paradoxically so, in the Western hemisphere. There is now enough evidence showing the international economy is characterized by oligopolistic competition and strategic interaction. We are living in a world in which comparative advantage, international competitiveness, and the international division of labor results in large measure from corporate strategies and national policies rather than from natural endowments (Gilpin 1987). Global competition is more than just rivalry among transnational companies, which is only the most visible manifestation. The concept of "global competitiveness" helps to clarify this important point. In the final analysis, global competition leads to continuous confrontation "...between different production systems, institutional schemes and social organizations in which business enterprises figure prominently but are nonetheless only one component of a network that links them with the educational system, the technological infrastructure, management/labour relations, the relationship between the public and private sectors, and the financial systems." (Fajnzylber 1988: 2 cf Ernst and O'Connor 1989: 26). The notion of the "competition state" (Cerny 2000) has made its re-appearance!

As a result, governments and regional trade blocs play an increasingly important role in international competition. A new aggressive industrial policy doctrine is currently emerging both in the North and China. We are talking about neo-mercantilism as the new weapon of international competition. (Schmidt 1993) Neo-mercantilism simply indicates that global trade competition has become increasingly politicized or weaponized. Heavy state involvement is geared to an improvement, not only of the balance of payments, but to a strengthening of so-called strategic industries. Also strategic trade policy has become important after the breakdown of the Bretton Woods system in the early 1970s and the use of selective import restrictions or demands of "voluntary" export restraints were clear signals that the international economy was entering a new stage in the international division of labor (Schmidt 1993: 7). A strategic trade policy, a concept with the same objective as neomercantilism, is one whereby governments take action that gives commercial firms a credibility which they would not otherwise achieve. New technology stands at the center of such a policy linked with a search for the optimal way to re-impose protectionism, visible or invisible and export promotion. Strategic trade policy inter alia neo-mercantilism maintains that comparative advantage can be changed through learning, and through government action. This has been clearly shown by a number of East Asian states including China who deliberately created a competitive advantage through judicious interaction of state policies and private business (Amsden1989; Wade 1990).

The beginning of the 1980s saw the contours of three trading. In East Asia, Japan evoked chilling memories of World War II's Greater East Asia Co-Prosperity Sphere as Tokyo forged closer ties with the NICs and the second- and third-tier Would-be-NICs. 12 The United States was no longer fulfilled the role of anchor for world liquidity. Global competition was still predominantly shaped by rivalries between the triad members: United States, Japan and Western Europe. The emergence of China has changed the composition of global trade and capital accumulation. Today, in 2019, China has become the world's biggest creditor nation, biggest export nation etc. largest importer of commodities and the main geo-economical, geopolitical and systemic rival to US hegemony.

To sum up, most Western late-comers, have a long and strong protectionist tradition. This is also reflected in the advent of the European unification. The proponents of regionalism in Europe (EU), North America (NAFTA) presented a threat to multilateralism. Although the nature of these blocs is very different, they have at least one thing in common. It is the tendency to have free trade *within* these blocs but protectionism *towards third countries*.¹³

¹²The NICs comprises Taiwan, South Korea and the small city-states Singapore and Hong Kong. Second-tier NICs are ultimately a new emerging group of countries such as Malaysia, Thailand and China. Third-tier NICs are Indonesia, Philippines and Vietnam.

¹³Karl Marx noted in passim that "The origins of current world inequality are to be found in the nineteenth century, particularly in the period 1870-1914. The development of the world economy in period is described, including the unique role of Great Britain within the world system. He noted that "We are told that free trade would create an international division of labour, and thereby give to each country the production which is most in harmony with its natural advantages. You believe perhaps, gentlemen, that the production of coffee and sugar is the natural destiny of the West Indies. Two centuries ago, nature, which does not trouble herself about commerce, had planted neither sugar-cane nor coffee trees there.... If the free-traders cannot understand how one nation can grow rich at the expense of another, we need not wonder,

Seen from the South's perspective, the new international environment in the 1990s and today did not portend more favorable prospects for their primary concerns: improving material conditions at home. Now as during the Cold war, the Third World is in a generally weak position in the international political economy. This was partly due to the weakness of the Chinese and Russian economies. The end of the Cold War and the shift from the East/West confrontation brought us back to the North/South divide. Before, the Third World had the option of shifting reliance to the other side but after the disappearance two ideological adversaries disappeared there was only one option left. The new option seemed to be - submit or resist. Simultaneously, the entrance of China in the world economy during phases of the new century this option has re-appeared to the benefit of the Global South.

The real issue to be addressed by latecomers to industrialization is whether it is possible to repeat the so-called successful experience from a number of East Asian states, which reached high growth rates over a long period and sustained domestic capital formation. In addition, if so, how long will the transitional periods be, during which latecomers can effectively enter a market and build up market shares large enough to reap the advantages of economies of scale and increase learning and implement strategic economic policies? Under what conditions will latecomers be able to shoulder the increasing cost burden of continuous competitive warfare? Moreover, finally, how will countervailing strategies, developed by the dominant oligopolists affect the latecomers' policies of managing such questions as employment generation, profit sharing, transfer of technology and building up forward and backward linkages between investors and domestic suppliers.

The evolution of China has given developing countries an option, which promotes a successful development pattern and investments in infrastructure and increased trade choices. This way, China has emerged as a challenge to the monopoly of the mainstream Western modernization and liberal development model. This is neatly captured by former US President Barak Obama who wrote in the *Washington Post* (2 May 2016) that, "America should write the rules. America should call the shots. Other countries should play by the rules that America and our partners set, and not the other way around." The US approach towards the South China Sea, while couched in more diplomatic language, manifests the same "we write the rules" arrogance.

Capacity and Bargaining Strategies in Latecomer Industrialization: Concluding Remarks

In development discussion, the success of Japan and the NICs has often been held up as an example of the rewards to market-oriented, outward-looking economic policies (Belassa 1981; James, Naya and Meyer 1989; Noland 1990; Wade 1990: 3-33). In contrast to the neo-classical (and World Bank) explanation, a number of scholars have suggested that in a latecomer, state policies and inclusive

since these same gentlemen also refuse to understand how within one country one class can enrich itself at the expense of another" (Marx 1977: 295 [1848]).

economic decision-making help to protect, promote, and rationalize industry and increase wealth and welfare. The gist of this argument emphasizes the elements of policy that prove critical to maintaining economic growth and developing industry (Wade 1988; Wade and White 1988; Wade 1996). Polanyi (1957) was probably correct, when he noted that a self-regulating market system was an exceptional moment in the history of humankind. Actually, mixed economies, combining market and state coordination, are the long-term general rule. As economies become more and more complex, the need for combined market and state coordination of the economy becomes bigger and bigger. Polanyi's remarks help to explain the experience of that achieved by the NICs.

3) The Impasse of Development and IR - from Theories to an Emerging Discipline

The intrinsic relationship between the domestic societal development issue and the structure of the international realm as well as the connection between the geopolitical and geo-economic aspects of the international division of labor has been treated in the previous chapters. The following is an attempt to connect the dots and deconstruct the theoretical underpinnings of the emerging relationships of the global system.

During the past three decades, a significant theoretical discussion has occurred in theorizing the reasons why development and economic growth occur in some areas and not in others. This evolution has been further exacerbated by attempts to explore whether the international system has had any influence on various time/space and socio-political economic development models and configurations.

The 1970s, were the heydays of Marxian critique of capitalism, not only in development studies but also in social science research in general. However, this perspective came to an impasse already by the mid-1980s as a result of a generalized theoretical disorientation and a perceived lack of openness to diversity. Moreover, critical (Marxist) research was confronted with trends toward intellectual positioning from the "sociology of Zeitgeist" emanating from postmodernism, postcolonial studies and neoliberalism (Harris 2005: 39). Its significance among other things meant a deliberate turning away from a focus on economics and politics toward cultural, aesthetic and environmental critiques. Having entered the new millennium, social sciences and development studies were being challenged by a new wave of culturalization and exclusive statist perspectives with the consequence that theorizing was increasingly confronted with compartmentalized concepts, fragmented ideas, empiricism, issue-focused and at times action-oriented research agendas. Regardless of this tendency, the evolution of the world is re-imposing the necessity of bringing back what had been prematurely dismissed! As such, social forces did not fade away together with the exclusion of class as a category of social science and the dissolution of Soviet style Marxism-Leninism. On the contrary, globalization and uneven development have put renewed focus on social actors such as how classes construct and generate state entities as well as underlining the importance of a non-reductionist understanding of changing social formations, configurations, and constellations. In a sense, this is what Robert Cox originally referred to as the emergence of dominant and subordinate classes, which should be grasped in a dialectical interplay with the crystallization of a particular state/society complex. This duality should be the main objective of study rather than the overemphasis on the state (Cox 1986: 205). Although the critiques on the "blind spots" of political economy contributed with a number of

interesting questions, criticisms and issues, the main argument developed here is that the result of their success has led to a U-turn away from what can be called real life and death development issues. In other words, the notions of local/national and not least international order and power related issues have disappeared from development studies along with the invasion of anthropology, cultural studies and political science. The attacks on "grand theory" (Weber and Marx) for not having taken this or that aspect into consideration have further eroded important critical academic traditions which laid the groundwork for an adequate understanding of the obscure dependent links between global, regional and local power relations. Missing from these attacks from postmodernism and institutionalism is the realization that the study of classes and order in capitalist societies is always per definition based, not only on focusing on diversity, but also on analysis of social inequality. Without inequality, there would be no differentiations. Consequently, in its most simplistic terms, a capitalist social order consists precisely of groups of people occupying common positions of inequality and disparities.

There are good reasons for short-term pessimism and longer-term optimism. Documentation as produced by organizations such as UNDP (Human development Reports), UNCTAD, and SIPRI led to the conclusion that growth and development prospects in the Third World were bleak. The number of states under IMF/WB surveillance are extremely high (more than 121 in 2017 out of which 59 are low-income developing countries) while another 37 countries are experiencing conflicts of a violent/military nature; these have been taking place primarily in the South. The North-South gap influences increasingly inequality and poverty in the international realm. AIDS/HIV, social instability, climate change and environmental degradation are precursors for an increasing number of so-called failed or virtually collapsed states; more states than ever but also more non-states than ever (meaning states which lost the monopoly of violence); at the same time inequality and uneven development are increasing domestically both spatially and in real income terms.

Although this is the general picture, pockets and small islands of growth and other dynamic activities have emerged. However, this either is because those local societies have hit the bottom and cannot get any deeper, or because there has been a number of special circumstances usually of an exogenous character, providing the impetus for local growth. Of course, India and especially China stand out as exceptions from this picture. Especially China more than 700 million people have been lifted out of poverty since the reforms in 1978 and onwards. Exactly the same number 700 million in India and Sub-Saharan Africa still live in dire conditions.

Given these circumstances, development research – almost per definition -, besides being interdisciplinary and critical needs to endorse the normative point of view that is related to enhancing and improving the living conditions and human security in both South and North. Whether this is achieved through participation, democracy, authoritarianism, regionalism etc. is of secondary importance; the main question being is how to achieve growth and welfare in a (hostile) international systemic environment?

Under the hegemony of neo-liberalism and neo-realism "development" has been largely excluded as a subject and theoretical object from the academic discourse of International Relations. Resistance to

this state of affairs makes a dialogue between these two disciplines necessary in the academic as well as the political agenda.

In order to provide an adequate understanding of what is necessary to establish an empirical and theoretical interplay between development theory and International Relations an approach sharing a broad sociological, contextualized methodology. This ought to include an emphasis on the external dimension and an interdisciplinary perspective based on the CPE approach. Contextuality, in this sense, means that the role of the external environment differs in its relations to the local contexts.

Based on these observations, this dissertation aims to discover and deconstruct anomalies in the current debates within the various traditions and disciplines in development studies and IR/IPE and to determine the extent of mutualities between them. The task is to establish whether new social forces have emerged and trying to identify the resulting impact of social change on world order and disorder. In the end, it is the responsibility of the individual social activists, academic researchers and intellectuals to germinate and establish alternatives to the existing order.

Anomalies in history and theory

The following attempts to situate and understand why theories are established in historical contexts – the aim of deconstruction is to shed light on their basic epistemological/ontological assumptions. Based on the Eurocentric approach it has become an established truth that the sovereign and territorial nation-state system was established in the Westphalian conference (1648). The acceptance of the sovereignty concept implies confirmation of the principle of non-intervention. However, a more global and critical awareness falsifies this assumption which is based on Eurocentrism. Looking beyond European history there were well-functioning nation-states in China, India and Southeast Asia with inter-state relations. The same argumentation can be applied to other conceptual constructs, which were taken for either granted or treated as universally valid by Western historical interpretation and its glamorization of the "Enlightment". (Schmidt and Hersh 2018; Schmidt & Hersh 2019)

In the present context of the world evolution, the main takeaway is that the hegemony of neo-liberal discourse has left the Third World in a catch 22, between "modernization" development theories based on either naive optimism or a fatalistic acceptance of the notion of the "survival of the fittest". This implies Western dominance in defining the theoretical, empirical and real-political intervention into politics (Sardar 1999).

As suggested by critical students of development it is time to reconsider, to evaluate the prevailing disorder and disarray of theory and propose new concepts and methodologies which could facilitate new thinking and ways to resolve the stalemate.

As put by Frans Schuurman, the point of departure for such an endeavor would be a conceptual focus on the lopsidedness and unevenness afflicting the world: "Whichever theoretical corner we may choose to sit in, it cannot be denied that development on a global scale is of importance to the inequalities within the Third World, and between the First and the Third World." (1993: 31) The debt burden and the influence of international financial agencies in the developing countries are known

examples. Lesser known, though not less important, is the increasing triadisation of the world economy since the last part of the twentieth century. This attempt to create a new institutional configuration where Europe, the US and China "play ball" is a step multilateralism. Increasingly large parts of the Third World stand on the sidelines, while summoned at the same time, to throw themselves at the mercy of the world market. Inequality is thus a relevant concept, not only on microlevel (social categories) but also on supranational macro levels.

This leads to the proposed "marriage" between IR and development theory and/or between certain strands of IPE theory. There are no prospects of a merger or amalgam just around the corner, but the contours of an embryonic dialogue can be discerned. The question is not so much which discipline should incorporate the other, but rather how cross-fertilization in a range of topics/subjects can be initiated. The point being that development can no longer be perceived in isolation from the international system and vice versa. Although, post Marxist approaches prematurely were relegated to the dustbin of history this was in fact one of the strong sides of Marxist theories of imperialism and the neo-Marxist schools of dependency and world systems analyses. This should not be seen as an endeavor to bring back those debates on their orthodoxies, but considering them in the heterogeneous concerns of scholarship in the disciplines of development studies and international relations/IPE.

The following proposes two areas where this can be done in the present context:

- 1) State/society complexes with a specific focus on the influence of economic policy-making with regard to the forms of economic regulation.
- 2) The second area is the problematique concerning order/disorder and chaos. I firmly believe that this is a conceptual variable, which many social scientists have shied away from, but which does hold some prospects especially as a variable that can interconnect IR/IPE with development studies.

Background for New Thinking

Social forces and movements have been excluded a subject by many theoretical approaches in the social sciences. This form of collective amnesia has had consequences for political and socio-economic analysis. This seem to overlook the fact that the Vietnam War was won in the streets of the United States of America and not only in the Indo-Chinese jungle. The "resistance movement against neoliberal globalization" is a sign of the revitalizing of politics. It might also be interpreted as an embarrassment for academia in development studies that other examples of disconnect between academia and social movement. For instance, the Tobin tax, a rebate for slavery, and a Marshall plan for Sub-Sahara Africa did not emanate from the academic world but from the social movements. This relates to the understanding and definition of development and social change.

Social theory has almost per definition assumed that disorder is a natural state and has therefore been primarily concerned with the emergence of social order based on this assumption. This was true of social and political philosophy well before the advent of the discipline of sociology. The English philosopher Thomas Hobbes explained the existence of the state (the Leviathan) was created as a

mean of securing the individual against the chaotic "war of all against all" which characterizes the natural state. On the other hand, the French sociologist Emile Durkheim found that the basis of social order rests on the conscience of the collective, while Max Weber pointed to traditions, values and interests as the factors producing social regularities. Related to this, it is probably known that, when those directions of social theory are translated into development studies (modernization, dependency, and post development), and into theoretical frameworks of international relations (IR) and international political economy (IPE) (realism, liberalism and Marxism) they can be interpreted as derived from or appearing in conjunction with or against the main corpus of social theory. While IR theory makes a virtue of describing the world as it is, the study of development is explicitly normative. The latter not only tries to explain but also embodies certain ideas about what development should mean and seeks to influence the desired objective. IPE evolved out of IR precisely because of the difficulties involved in separating empirically and theoretically, matters related to production, trade, and investment seen from the perspective of national interests. Consequently, the primary concern of IPE is "who gets what, where, and how" (Underhill 2000: 4), while the main objective of critical development studies includes attempts at understanding the causes of inequality and poverty in society as well as the conflictual processes involved in societal transformations. This ultimately creates links between the two disciplines on questions of international justice, the distribution of resources between states and societies, which are linked to poverty and inequality in state/society complexes and between state/society complexes.

The term development itself was launched after the second WW as the lodestar leading to prosperity, but which soon revealed itself as an illusion (Wallerstein 1994: 3-20). Modernization theory, the very metamorphosis of development theory, simplistically emphasized secularization, the rise of science and technology, urbanization and differentiation, but at the same time disregarded power lopsidedness in the international system and the changes within it as an independent conceptual variable. In this manner, modernization theory disregarded the contributions of imperialism theory as well as the theoretical frameworks and strategies of economic nationalism (catching-up) and socialist construction.

In recent times, there have been calls for abandoning of the whole developmentalist discourse because of its failure to live up to expectations. Increasing rates of poverty, environmental problems, weakening of the state and the growing wealth gap between the North and the South have led to the emergence of post-developmentalism and even anti-developmentalism. The proponents of the modern and postmodern tendencies call for the incorporation of so many issues and categories that development theory per se loses meaning and purpose. It is not the intention to situate post-developmentalism and anti-developmentalism in a political/ideological frame of reference as the similarities and variations with modernization theory have not been subjected to sufficient scrutiny. While modernization theory emphasizes the need to supersede traditionalist society, culture and social organizations, parts of anthropology leaning approaches tend to propose or glorify traditional and indigenous levels of analysis. In this way, focus is put on inherently sociological and anthropological aspects such as ethnicity, culture, gender, etc. as independent variables. The danger is that by reifying these parameters from more state-society development strategies, and fetishizing them, divisions in social practices are encouraged thus preventing a more holistic approach. The result is paradoxically

similar to the binary opposition of modernization and tradition, which development theory adopted and dependency criticized. While world systems analysis put emphasis on the international systemic level, both modernization and post-developmentalism reduce this inherent contradiction that had previously been well established.

Regarding the necessity of situating theory and knowledge in its proper historical context Robert Cox's notion has validity as already mentioned. This its purposes and biases reflect the requirements of the theoretician at a particular point in time and place in history. Therefore, the lost decades of enhancing human development, prosperity and security in the South led to the "impasse in development theory" and the counter offensive of neo-liberalism. A problem that will be treated below.

In tandem with the crisis of theory, a crisis of society has occurred. The rapid and radical loss of order is profound at every level of social reality; from family disruptions to the failure of businesses; to the undoing of political regimes or so-called state failures; and the devastation of the attempts to organize South to speak with one voice. Sudden collapses of the social order can be followed by periods of turbulence, where future developments can be largely subject to accidental events. This insecurity of the social order has meant that the Newtonian mechanism (which is so profound in positivism and functionalism/neo-liberalism, i.e. neo-realism cum modernization) cannot be an accepted model for the representation of social reality. In contrast, sociologists often focus on situations where a state of order in a structural or developing social system suddenly breaks down thus increasing in analytical and political importance the concept of societal actors in a chaotic world.

Human actors logically seek to control the undesirable. They try to anticipate future systems, evaluate them, analyze their presumable background, and set about to change the antecedent conditions for possible future negative situations. It is conceivable that circumstances to which models of spontaneous, unintended generation of order and disorder that can be applied are becoming more frequent in the global arena. Together with globalization characterized by general marketization and commodification, the dissolution of traditional forms of social organization, means that governance by the mechanisms of markets rather than the logic of hierarchy or solidarity are increasing on a global scale. However, this is full of paradoxes and contradictions and leaves humankind with anomalies such as the institutionalized stabilization programs and structural adjustment packages. These are the political epiphenomenon of modernization theory and the neo-liberal discourse are now widely considered as the causes rather than the solutions to the economic problems in the South. Nevertheless, these are still the dominant policies no matter how many spin-doctors and how much window dressing the IFIs employ to explain the opposite. Neoliberalism with a human face is an oxymoron in both theory and practice.

With regard to the relaunching of the concept of societal actors, it is an attempt to bring order into a world of instability and chaos. Perhaps the most appropriate way of understanding why this concept has regained importance should be found in the concepts of control, or regulation, or regime or simply order. The idea of "globalization from below" (Falk 2000) intended to challenge hegemonic forces' attempts to create world order international level, does not represent an attempt to replace class

without social forces, but to add an additional complimentary category based on difference and heterogeneity. In this regard, it is interesting to note that the rebellion against the global elite started in a remote Mexican village in Chiapas on New Year's Day 1994 by the Zapatista's movement's. Its slogan 'Ya Basta' (Enough is Enough) caught the international movement which later blocked the proposed Multilateral Agreement on Investment (MAI); "invaded" the streets of Seattle six years later; and gathered outside the World Economic Forum (WEF) in Davos giving the impression that a general politics of resistance against globalization had emerged. The protests later on evolved into genuine global social movements meetings in Genoa and Porto Allegre for alternative social summits creating as well the transnational movement Attack that campaigns for a tax on financial speculation. The alternatives and the critique although extremely diverse - politically and ideologically - rejected deregulated global integration and reasserts that democracy and basic human dignity must be at the center of the development. What was really at stake was not the fact that the undemocratic, nontransparent global elite was, and still is, gathering behind barbed wire, and protected by armed police, but the fact that the new global democracy movements simultaneously with worker's strikes against globalization (France 1995 and Korea 1997 and again in 2019), and resembling the anti-Vietnam movement against imperialism.14

In this context, GATT, WTO, IMF and the World Bank are not fulfilling the expectations corresponding to their original pronouncement. Likewise, other organizations of more recent vintage such as the EU, NAFTA, G-7, CSCE and the WEF are not doing any better. The tasks of the Bretton wood institutions were initially relatively easy to identify, while the new requirements for the world economy to function are relatively nebulous. Following WWII, the Bretton Woods institutions, including the UN, were supposed to:

- Manage common problems arising between states,
- Establish rules and procedures to be respected by states.
- Redistribute a minimum of resources between unequally developed states
- Prevent and settle differences between states.

Insofar as the interstate system still has some relevance, these purposes - with all their familiar difficulties and contradictions - remain. Nevertheless, the international institutional structure is being increasingly asked, not only to serve as the link between nation states, but also to assume responsibilities for the regulation of social matters formerly managed at the national level by states, trade unions, local firms and all kinds of intermediary domestic organizations. At a time of social disorder (for example the spread of violence, drugs, mafia-type criminal activities, migration, trafficking etc.), the international society is expected to act as the collective agency responsible for

¹⁴ Especially the successful overturning MAI was interpreted by many observers as a major victory, and a step forward for winning support from and creating an alliance with the Third World. See also the contributions in Gills (2000) for theoretical discussions and empirical examples.

establishing the necessary "institutionalized compromise" for the regulation of any *Gesellschaft*. (McMichael 1996; and Falk 2000)

In contrast to these tendencies, Third World states today under the hegemony of neo-liberalism have lost control over the forms and content of economic regulation. This notwithstanding, the increase of global regulation and governance is to a large degree benefiting the North on the expense of the South. Furthermore, the borderline between domestic and non-domestic affairs has become blurred; the world scene is characterized by the coexistence of an inner-state system and a multicentred system composed of a virtually infinite number of agents and founded on largely uncodified networks of loyalties. This is compounding the crisis of the nation-state and contributes to growing inequalities and Thirdworldization of parts of the North.

Much of the difficulty - even the impossibility - of identifying the basic unit of international politics lies in the prevailing disorder and disarray of theory. This is the reason why, the assigned purpose of the "Resistance movement against globalization" right from the start intended to establish an "alternative international governance" system from below through cooperation between societal actors and institutions. This is also why the academic community needs to evaluate existing theories and try to encapsulate the new trends and propose new concepts and methodologies, which enable new thinking and ways to solve the stalemate. In this context, it should be recognized alternatives are in the process of emerging.

For a long time, mainstream IR saw economics and politics as isolated spheres or as a case of "mutual neglect" (Strange 1970). Economic affairs were considered "low politics" while statesmanship and diplomacy took care of "high politics". This changed due to a number of factors related to the breakdown of the Bretton Woods system; US economic and political crisis; Vietnam war (1961-1973); decolonization and the demand by the Third World for a New International Economic Order designed to enhance the Third World's bargaining and economic position in the international system. In the period following the collapse of the Bretton Woods system, the Keynesian liberal democratic growth and welfare package came under severe pressures, because of the neo-classical counterrevolution of the 1980s. This signified a rejection of the social democratic/New Deal project based on state intervention and market regulation (Toye 1987; Martin 1991:53). The meltdown of the Soviet-style planned economies in the USSR and East Europe dealt the ultimate blow to state intervention and regulation of markets in 1989. (Hersh and Schmidt 1996)

It was a combination of these developments in the last fifty years that led the US academic development community to shift from optimism to pessimism and back again to optimism encapsulated in "the end of history" thesis. The more pessimist camp contributed to a shift of the focus of conventional development thinking from modernization (emulation of the advanced capitalist economies based on pluralism, participation and democracy) to a primary concern with social control (authoritarianism). One of the few neo-realist academics who dared to conflate development studies and IR theory, Samuel Huntington, early on replaced the term political development with political change, because of the former notion's ideological and normative basis. The source of his concern was "political decay", a condition marked by unrest, violence, corruption

and coups. This emphasized the need for a new theoretical concept of "order". It still constitutes a fundamental aspect of Huntington's thought in his latest writings on IR regarding democratization and civilizations in conflict. Huntington can be regarded as a proponent of realism in both IR and development studies where the focus is on order and stability/instability as well as power relations. This conservative and nationalist perspective illustrates well that to the extent Third World countries have represented a threat to international security, they have been watched and studied not so much for their own sake, but as part of a wider concern for international order.

These observations, though, do not change the imperative of deconstructing the divide between IR/IPE and development studies. The objective is to establish an embryonic "dialogue" between the continuities and convergences of the two disciplines.

Theoretical Responses

Realism and neo-realism

The British Historian E.H. Carr is accredited with having originally coined the term realism in his attempt to distance the study of IR from the normative goals of liberalism. His argument is that the liberal doctrine of harmony of interests in international affairs glosses over the fact that the real conflict found in IR is the one between the "haves" and the "have nots" (Cf Brown 1997: 29). This awareness is central in the following discussion

.In this perspective the international system is perceived as being anarchic - implying a focus on the causes and consequences of conflict - as states are concerned with the preservation of their sovereignties which leads to competition. This necessitates the need for establishing "balance of power". Power and security are central to the notion of power balance. The realist school looks at the world from the standpoint of the hegemon. The reasoning behind this is that the dominating hegemon in the last instance has the ultimate decision-making power; this explains the inability of realism/neo-realism to conceptualize and contextualize change from one system either to another, or within a system (Cox 1986). Realism/neo-realism is tied historically to mercantilism and economic nationalism and shares the same epistemological and ontological views on conflict, power and the role of the state.

Liberalism and neo-liberalism

In the liberal and neo-liberal universe co-operation is emphasized instead of war making. Harmony is to be achieved by putting emphasis on individualism and the opening up of international markets through trade, deregulation and privatization.

Liberalism encompasses theories of "transnationalism" whose principal claim is that states no longer are the dominant actors in world politics. Although "interdependence" through increased interlinkages between nations create vulnerability, the tradition maintains that there are affinities of interests by increased co-operation and peace. At first sight, this approach seems attractive for the

Third World, but in the real world, some states are more equally interdependent than others (Dickson 1999: 14-15). Proponents of neo-liberalism base their argument on the idea of "normalizing" the Third World category nations by arguing against treating it as a special case. In this way, they argue among other things, for a policy of de-emphasizing the role of the state (Dickson 1997: 46-47). There is an affinity to neoclassical economics to the extent that liberalism and modernization theory share the crucial belief that catching-up should not be achieved through relative self-reliance but through openness in terms of economic matters.

Marxism

Marxism and historical materialism is based on the recognition that the core activity in any society is related to the way the economic surplus is created and distributed. This of course gives dynamism to international relations since the internal contradictions of the national capitalist formation are sought resolved by projecting them on the international level. With regard to global capitalist accumulation, it is per definition uneven and bound to produce crises and contradictions between states and social classes. The core analytical point of departure is based on a critical and dialectical method as well as an attempt to understand capitalism and social change. One of the main categories is class subordination and contradictions of material interests, which are typically situated in the domestic context and extended to the global level.

There are, of course, close links between dependency theory, world system theory and a whole range of other perspectives that have original and intellectual debt to Marxism (Schuurman 1993/96). They share the idea that the process of development is, when viewed globally, not one of homogenization and universal attainment but one of polarization and exclusion (Sutcliffe 1993/96: 136). What is noteworthy, is that despite all the criticisms directed at the dependency perspectives (Packenham 1992), their basic theoretical point is the only one that still can be said to be empirically valid. Thus, it is nowadays recognized that many of the Third World's problems originate outside their own jurisdiction, which validates the theory, when it points out that dependency is imposed and nurtured by external forces. The basic remedies suggested by Marxism and dependency, and not least the focus on unequal exchange; find their expression in the forced liberalization and deregulation of trade and domestic economies. This recognition should be brought back into both schools of thought, and as such should be seen as a core issue, for enacting a fruitful debate between IR/IPE and development studies.

Rounding up

Where does this rather short review of the theoretical traditions leave us? According to Dickson (1997), the term "development" implicitly denotes some degree of teleology, which implies a process of change and transformation in a particular purposeful direction. Development is an on-going process of qualitatively ameliorated social, political and economic change. That is, progressive change which improves and sustains the quality of life in human society. IR theory, on the other hand,

is concerned with the relationship between state and non-state actors as an issue area. ¹⁵ Development can no longer be perceived as being a localized or national problem unless it is possible to isolate particular spatial enclaves completely from the international system, historically and contemporarily. Development remains a global issue but cannot any longer be perceived as a race whereby the South has the possibility to catch up with the North. (Sachs 1999: 2) Related to this problem, Gramsci showed awareness of the unevenness of the relationship: "In reality, the internal relations of any nation are the result of a combination which is 'original' and (in a certain sense) unique: these relations must be understood and conceived in their originality and uniqueness if one wishes to dominate them and direct them. To be sure, the line of development is towards internationalism, but the point of departure is the 'national'---and it is from this point of departure that one must begin. Yet the perspective is international and cannot be otherwise." (Gramsci, 1971: 240 cf Sassoon 2000) Having said this, it should be added, that the borderline between internal and external is increasingly blurred. This is an additional reason why compartmentalization inside and between disciplines as well should be broken down.

There are plenty of issues encompassing development studies and IR, i.e. international and regional security, growth and equity, global and regional politics, and as mentioned above, poverty and the overall problematic regarding trade. Poverty being the common denominator for all theories either critically assessed or positively and even aggressively promoted.

In relation to this, economic nationalism and present-day Marxism share the axiom that considers trade as promoting economic specialization and interdependence between unequal partners; these create dependency, insecurity, vulnerability and uncertainty with regard to domestic welfare and loss of national autonomy. The establishment of an open liberal world economy, according to this understanding, has always been more apparent than real. The politics of the process was important but not transparent. In the creation of the conditions for the internationalization of the world economy as well as setting limits to unhampered trade. Historically, the state played an important if not the determining role. As we enter the new millennium, the pendulum is once again swinging in the direction of economic nationalism. In fact, all nations, and now regions, attempt to protect their own interests to the best of their abilities in the international economy. (Hoogvelt 1997: 211 and 242)

Based on this discussion, it is possible to claim that IR theory has been selective in its collection, recording and understanding of events and subjects and has ignored a significant element of the international system it seeks to explain. It only succeeds in assuming the universalization of Western experiences and value systems while ignoring non-Western ones. There is no doubt that world history has always been written from the more powerful nation's point of view i.e. the Eurocentric interpretation. This is why, we can discern that the pendulum in both IR theory and development studies has swung according to changing sentiments within the academic and political establishment in the North (in particular in the United States), and of course in accordance changing social and

¹⁵The former defined as countries with delimited territories or geographical boundaries and some degree of self-governance, while the latter refers to nations, supra institutions, transnational organizations, groups and individuals.

political realities. Neo-realism utilizes neo-liberal discourses when it suits certain economic interests. The conceptualization of neo-liberal globalization has indeed been the Damocles sword applied to the Third World in the aftermath of the Cold War. During this systemic confrontation, modernization theory was applied as an ideological tool to counter communism in the Third World. In this regard, the dominant liberal discourses of development i.e. Peace, human rights and environment concerns are based on ambiguities and outright double standards.

The argumentation here and the following draw on Mushakoji's brilliant and sharp analysis of the five beliefs of liberal technocrats which are (1994: 12-14): 1) rationality - social progress is ruled by means and rationality. You have to find good means to achieve a good goal. You do not discuss whether the goal is good or bad. What is important is the means to achieve the goal; 2) through the "means and rationality model", decision-makers are able to find rational solutions to any problem whether natural or social. They don't search for the causes to the problem but try to solve it and thereby create new ones; 3) by using technocratic management they avoid "power relations and counter-trends"; 4) social chauvinism is the main culprit of technocratic liberal ideology - based in the idea that there is a "survival of the fittest" situation and the North-South gap is just a consequence of this Darwinist process; 5) those propositions are based on majority rule who adopt their ideology and are willing to solve the problem according to the dominant paradigm (economism, marketization and corporatism) they propose. All others are left out. Thus the real power of the West (the North) lies not so much in its massive economic development and technological advances but, rather, in its power to define (Sardar 1999).

As an outcome of this discussion, it can be said that IR /IPE theory and development studies share the following levels of interests:

1) To varying degrees both relate to the interaction between states, markets, civil societies and international institutions; here the notion of order becomes crucial both at the local, regional and global levels because it is directly related to the balance of forces in the world system both within and between social. There is great diversity within each discipline and a new tendency of cross-fertilization among them has appeared (Underhill 2000: 7).

2)

- 3) Development studies focus on resolving problems of the Third World, based on prescriptions and medicines, mainly given by the developed countries. Development studies ought consequently to be considered the discipline of studying North-South relations and as such should be incorporated into IR/IPE.
- 4) The two disciplines are inseparable! The merger of IPE and development studies must rely on a heterodox set of theories, which can be re-grouped into the differentiation between problem-solving and critical theories (Cox 1986: 208).

Accordingly, problem-solving theories are those, which tend to prescribe solutions to problems that might unsettle the international system. Thereby, they contribute to the perpetuation of status quo. In

contrast, critical theory tends to question the existing world order and explore opportunities for change in institutions and societal constructions. As such, it is possible to make a clear distinction between the two categories based on the differences of ontologies and visions. The first is comprised of problem-solving theories, which consider the world as the best of all possible worlds. They are status quo oriented, meaning the structures are viewed as viable and changes are limited to reforms within these structures and patterns. This theoretical body is deterministic and functions as a source for establishing policy guidelines for the decision-makers. The second category consists of the various critical theories, which consider the world as imperfect and the need for transformation. They are concerned with understanding the history of the international structure, that is, how capitalism came into being and what the possibilities are for changing it. They thus explore possibilities for transformation of the status quo. It is obvious, that the first category comprises modernization/neo-liberalism, and neo-mercantilism/neo-realism, while Marxism/dependency and postcolonial theories can be situated in the critical category. Methodologically speaking, it is a repeat of the previously mentioned dichotomy of form versus essence.

Critical Chaos Theory and IPE. Providing a Link with Development Theory?

One way to move forward is to approach the problematic through a complete break with traditional thinking by suggesting and the point of departure should be based on the idea of IPE theory of chaos as generating new order where subordinate discourses are created through the terrain of language, meaning and knowledge (Mushakoji 1994: 9-10) not dissimilar to the constructivist approach in IR. This approach characterizes order at the national and international levels as basically a function of the same question: How are the rules and the minimum of regulation of social relations constructed without which no order is possible?

Mainstream IR theories and development theories cannot really provide an answer to this question. They are burdened by legacies from neo-institutionalism in political sciences and neo-classical economics from which they borrow their vocabulary, method of approach and arguments. They assume the problem to be already solved: regimes and international institutions have the advantage of conferring a certain stability on exchanges by permitting reciprocal expectations and better mutual information. The firm belief being that whenever a new institution has been established at various geo-political and geo-economic spatial levels; according what appears to be a naive belief in the increased flow of information and transactions all problems will be solved. The point is, however, that in international relations, as in other forms of social interplay, there is never a fixed rule: Rules constantly evolve and change with events and balance of power. Combining this recognition with IPE and development studies allows a more complex but dynamic approach where underdevelopment. war, peace and political institutionalism as well as structures are intimately intertwined and contrasted. This is done through recognition of relationships between politics and economics and between states and markets based on three fundamental premises: 1) the fact that politics and economics cannot be meaningfully separated. This implies that the dynamics of geo-economics (competitive advantage) and geo-politics (security) are intimately bound together; 2) Politics is the

means by which economic structures, markets in particular, are established and transformed as the results of political interactions generated by competing socio-political interests in a particular economic and institutional setting; 3) The intimate connection between domestic and international levels of analysis means that the global political economy cannot be meaningfully packaged into a separate space. Hence, the international system is much more akin to a state-society complex, spanning domestic and international levels of analysis with the institutions and agencies of the state at its core.

In this regard, one of the leading proponents of chaos theory, Jean-Daniel Reynaud, suggests that instead of speaking about regime it would be better to use the term joint-regulation. The theory of joint-regulation or social control for that matter does not presuppose a body of specific rules or consensus, and - even less - equality between the parties involved. It is considered to be a process in which the rules are never laid down in advance; And the activity from which it derives is a continuous give and take of exchanges, mutual adjustments and negotiations. (Reynaud 1979; 1988; 1989; 1991)

This approach leaves space for irrational behavior, for an investigation of the pathology of decision-making and for confrontation. The rules are not established once and for all and cannot be deduced from a predetermined function or structure. They are shaped and reshaped in response to the actual results of the action, in an unceasing negotiation in which new distinctions, hierarchies and divisions of tasks are established.

Two sources of regulation can be distinguished: an externally controlled regulation and self-regulation coexisting as constant rivals: Hence the concept of joint regulation. The potential of this approach in an international system perspective, consist of unequal partners in a structure of asymmetrical interdependence, is that it brings to the fore the subtle interplay that comes into being between hegemonic coalitions wielding power to set the rules and the target-groups of such rules.

The characteristic feature of crises in regulation is the element of instability marked by the breakdown of former systems and the slow and contradictory search for new structures, the outcome of which cannot be foreseen. This way of approaching the complexities of order and disorder is based on what Johan Galtung described, as "order is not peaceful because it does not allow people to live in the way they want to live. Therefore, if you want to have peace you must have chaos. You have to eliminate all centralizing powers and this is where the idea of world chaos comes in". (Galtung cf. Mushakoji 1994: 11)

If there is a crisis in regulation, regimes and global institutions how do, we situate the Third World in this environment. How are we going to cope with a situation where unilateralism and a single nation dominates world affairs and at the same time rule based on the axiom: Either you are with us or against us!

This makes it imperative to go back to the individual level and search for a new role of academics, intellectuals and activists who must initiate new discussions about alternative development models

and strategies - without forgetting to situate the international constraints, challenges and new dependencies in their proper contexts.

A New Research Agenda

It should be realized that no single ready-made theoretical model can provide all the tools necessary to explain the link between development theory and IPE, but an eclectic combination offers enough leverage to make a start (Evans 1995: 5). Sutcliffe points to something essential, when he notes that three processes have tended to overlap in debates regarding development - although the theorist had been left in a catch-twenty-two situation after the so-called theoretical impasse; the signs pointin in the right direction are: "the growth of the attainability and desirability critiques of the standard development model; the displacement of economics from the centre of the debate on development by ecology, sociology and cultural studies, as well as social movements; and the rise of discussions of ecological imperialism and cultural imperialism" (Sutcliffe 1993/96: 150). These debates have established a positive point of departure for setting a new research agenda.

Grounded on the general trend of unequal and uneven globalization, the research agenda should approach the problem of development in an international perspective based on the application of an interdisciplinary outlook and methodology.

This permits a methodological approach whereby conceptualizations of development and IPE are strengthened by including the manner the different parts of the world system are influenced by the global forces, while likewise bringing into view, the influence exerted by the different component parts of the process of globalization itself. It is thought that by bringing into play the interaction of globalization (understood as essentially emanating from within the core) with development (comprehended as structural transformation processes within Third World societies), greater clarity can be shed on present world trends. It is thus assumed that this holistic way of understanding globalization and influencing solutions to maldevelopment, through what may be called a" multilayered" dialectical approach, allows for a variety of levels of analysis as well as objects of investigation.

To the extent that the attempt is made to link the different levels of globalization and the variegated transformation processes, such an agenda represents efforts at basic research. In so doing, concepts and frameworks are developed which permit a better understanding of the geopolitical and geoeconomic processes, as well as the influence of socio-political forces at the global, regional and local levels. The application of a critical interdisciplinary theoretical approach and sociology of development permits the grasping of the dynamics and contradictions which globalization imposes on local communities and social actors as well as identifying possible responses. Although the concrete projects may be different in scope, together they establish an understanding of the preconditions for peace and security at the levels of the international political economy and societal contexts.

The common intellectual and methodological framework is driven by interdisciplinary problemoriented and policy relevant research based on the theme of globalization and political, social and economic development at the macro, meso and micro levels. These considerations are related to the following thematics:

- Generating new knowledge based on interdisciplinary theoretical and empirical scrutiny of the changing relationships and processes of globalization and development;
- Explicitly introducing questions of power and agency to structures and processes of globalization and development;
- Mounting critical and reflexive analyses of issues, problems, cases, areas and challenges from the meta to the micro-levels related to the specific context and dynamics of globalization and development;
- Identifying asymmetric relations, additions and subtractions to human security, inclusions and exclusions of various categories of social strata as related to processes of unilateral liberalization by the nation-state, multilateral liberalization by the IFIs and the WTO, voluntary and involuntary regionalization's and different forms of interactions by global and local actors;
- Identifying various forms of resistance to neoliberal globalization and searching for alternatives to conventional approaches to globalization and development at the levels of conceptual, empirical and social practices.

The Comparative Political Economy and the Sociology of Development

With this critical review in mind and on the background of a sufficient treatment thee different theories involved and covering the variables of the institutional and organizational factors - we should move beyond those approaches to complement and add other relevant theoretical tools and instruments which are suitable for the kind of analysis intended here. A problem is that very little has, in fact, been written on the processes of economic policy formulation and decision-making, and even less on the interplay of national and international forces that affect the processes of social change.

In the following I want to propose the last major challenge to development theory - the CPE and the sociology of development approach.

Methodologically, CPE analysis is employed with selected slices of the national contingent historical paths as units of comparison throughout the research. This approach examines historical sequences to understand social dynamics and transformation of cultures and sociopolitical structures. It is distinctively appropriate for developing explanations of macro-historical phenomena of which there are only a few cases.

What is new and what is provoking is the argument that the dichotomy in development theory between the modernization and dependency traditions is claimed to build on an artificial confrontation between the Weberian and Marxist approaches to political economy that in fact might complement rather than confront each other.

In reality what is happening is far more complex. Gradually in the course of the dispute, a body of studies have grown up that combine the comparative historical method with certain of the insights of dependency and world-system thinking and even recover some of the hypotheses of the modernization approach in altered form. They have attacked a variety of substantive issues and are eclectic in their methodology, but share a number of characteristics that in combination serve to distinguish them from earlier work: 1) the realization that political and economic development cannot be fruitfully examined in isolation from each other; 2) showing sensitivity to international factors (without determination); 3) consideration for historical and national contingency; 4) application of a comparative framework (Evans and Stephens 1988/1989: 713-714). These studies do not offer a theoretical paradigm in the strict sense of a set of axiomatic relationships that can be used to generate universal predictions of developmental outcomes. They do share some working hypotheses about the likely political and economic consequences of different patterns of interaction between states and classes. They also share common assumptions about what problems are most central to the study of development and what factors should be taken into account in order to understand outcomes in specific cases (Evans & Stephens 1988: 740).

Besides the inspiration from both Karl Marx and Max Weber the epistemology of this approach builds to a large degree on such scholars as Alexander Gerschenkron (1962), Karl Polanyi (1957), and Barrington Moore (1981). These frameworks share the assumptions that the linkages between economic models and political forms, classes of varying strengths coming together in coalitions and compromises or opposing each other in struggle in given historical contexts, the historical specificity of economic development models due to the historical evolution of the world economic system, state strength as a variable, and the state as a historical actor. All these suppositions are central themes to varying degrees in these authors contributions.¹⁶

As mentioned in the previous chapters the influence of dependency and world system theories on the CPE framework has provided the method of approach as suggested by Frank (1967) and Baran (1957). Both works built their argumentation around Marxian historical materialism and the *lounge durée* (Braudel 2009) that included an integrated examination of local and international actors. At both local and international levels, they emphasized interests rather than norms and values, economic and political structures rather than cultural patterns. Taking into consideration the historical structural approach and associated dependency of Cardoso and Faletto (1979), which is referred to previously, the importance of class alliances and conflicts that cross national boundaries is clear. The new element, however, is the non-deterministic influence of the international context in shaping these

_

¹⁶This proposition strongly indicates that this dissertation disagrees with the rather deterministic view of the state-capital approach of the "Murdoch School" which sees "...capitalist power stemming from the very indispensability of the capitalist class as the machine that drives the economy. In this sense the capitalists exert a veto power over the state, whose leaders, although exercising a degree of autotomy, must always consider the consequences of policies which threaten the flow of investment." (Hewison 1989: Chp. 1 and 212-213; Robison 1992: 87)

alliances and conflicts within national boundaries (Evans and Stephens 1988/1989: 719). Although a non-reductionist perspective is the point of departure, regulating relations with the external world has been a persistent theme of any late industrializing state. The state as the gatekeeper between intra-societal and extra-societal flows of action is a most important criterion in any assessment of its "strength." The state is strong to the degree that it is capable of regulating TNCs and weak to the degree that its action is constrained by international structures (Lee 1988: 25-26). However, this important point for investigation is combined with the insight from institutional theory as an examination of the capacities and autonomy of the state.

Figure 1 schematizes the dynamic between three sets of international actors and institutions, which hypothetically exert influence on economic policy-making in the Third World (Broad 1988: 6-7):¹⁷

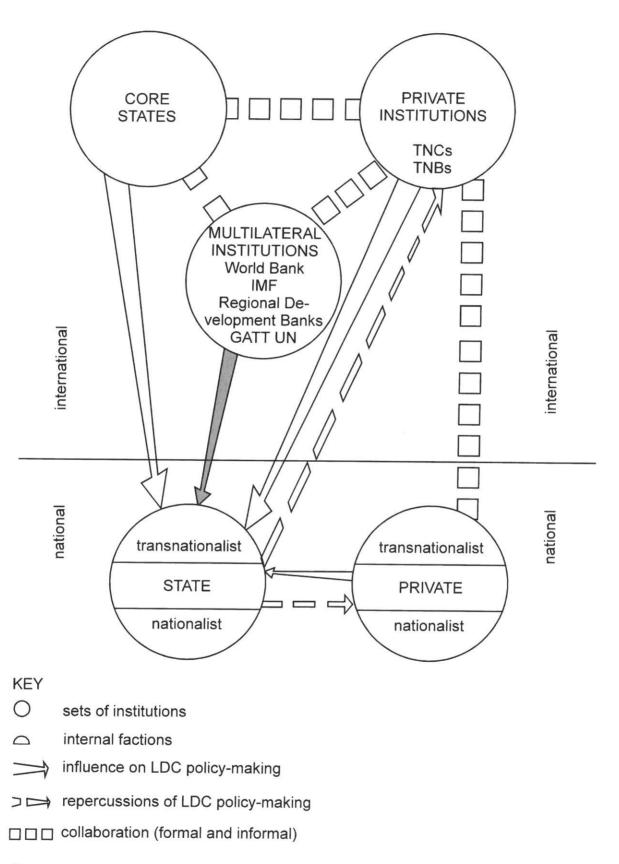
- 1. Private institutions, consisting primarily of transnational corporations (TNCs) and transnational banks (TNBs).
- 2. Core states (in Wallerstein's terminology), which comprise principally the former colonial powers and which exert influence through the departments of treasury, state and overseas aid.
- 3. Multilateral institutions, which, in addition to the IMF and the World Bank, include the General Agreement on Tariffs and Trade (GATT), and its recent successor the World Trade Organization (WTO), regional development banks such as the Asian Development Bank (ADB), and United Nations agencies.

These actors and institutions interact with and nurture a corps of technocrats in the domestic bureaucracy who share a conviction of the importance of maximizing economic linkages with the world economy. Opposing these technocrats stands a group of nationalist bureaucrats committed to the strengthening of the internal market first. In the simplified schematization of Figure 1, the state is therefore split into two factions: a transnationalist component and an economic nationalistic one.

Another important set of national actors and institutions influencing economic policy-making - domestic private corporations, financial institutions, and capitalists - can also be divided into two camps. Each tends to reflect a mindset grounded in economic interests. The overwhelming majority of entrepreneurs in late-industrializing society are engaged in economic activities that serve the national markets. Most are small businesses; very few become transnational enterprises.

¹⁷The following eight paragraphs built on Broad (1988: 6-9).

Figure 1: External Influences on Policy Formulation



Source: Robin Broad: Unequal Alliance The World Bank, The International Monetary Fund, and the Philippines, University of California Press, Berkeley 1988.

Whether big or small, their self-interests and instinct for preservation tend to lead them to favor economic policies that protect the domestic economy and the country's resources from the whims of the world market. This group can be called economic nationalists. However, the aim is not to chart progress or the reverse along a presumed unilinear path of societal development, but rather uncovering, interpreting, and explaining distinctive patters of development.

On the other side a numerically small but, in some cases, economically powerful group of businessmen (and women) have linked up with transnational banks and corporations in joint ventures, licensing agreements, marketing arrangements, and connections that tend to wed them ideologically to policies furthering free international flows of goods and capital. This faction can be called the *transnationalists*.

Quite often, representatives the private-sector interest groups are shuffled in and out of government positions. Hence, the existence of nationalist and transnationalist factions within the state is often grounded in part in the economic interests of the bureaucrats. This notwithstanding, none of this is static and this framework should be interpreted as non-deterministic. The relationship between the external and internal factors will be uncovered in the empirical analysis. The absolute size of each faction in both the private and the state sectors varies widely in each late-industrializer and across time. Furthermore, the influence of peak representative organizations, legal or illegal, of labor and peasants is not excluded but due to various measures might be able to impact on economic policy-making.

However, formal and informal collaboration, based on shared interests, exists among a number of the major sets of actors and is denoted by the connecting lines of squares in Figure 1. Just as the three international sets of institutions and the local elites influence economic policy-making, economic policy decisions have repercussions on each set of the institutions and factions there of (indicated by the broken rays in Figure 1). In Broad's study it is the mix of multilateral institutional influence on policy-making in the Philippines - the shaded ray at the center of the Figure 1 - that constitutes the major force in the emergence of the would-be NICs. It is here that answers are to be found as to how the World Bank and the IMF contribute to shifts in an late-industrializers dominant paradigm of development: "...in particular, why would-be NICs were emerging; why it was that a country like the Philippines was shifting its overall economic direction from primary commodity-export-led growth to export-oriented industrialization in the late 1970s and early 1980s; and how it was that, by this period, the Bank's and the Fund's positions in Philippine policy-making were sufficiently well entrenched to enable them to play a major role in the transformation of industry and finance in that country." (Broad 1988: 9)

A framework for comparative analysis must combine a typology of growth trajectories in order to identify the variation across the cases that I am trying to explain. The key distinction is between countries that industrialized through expansion of manufactured exports and those, which sought to build an integrated industrial structure behind protective walls. Three other components of industrial strategy are important (some have been touched upon, others are new): the instruments governments use to achieve their objectives; the balance between local, foreign, and state firms in industrialization;

and the overall coherence of policy. The puzzle is to explain why countries adopted the industrial strategies they did, and why they sustained them over time.

To answer these questions, the following add arguments about the sources of policy change drawn from the three different levels of analysis: the international system, domestic coalitions, and political institutions. 1) International chocks and pressures, and the domestic economic crisis associated with them, have been the most powerful stimuli for changes of policy. 18 2) Theories seeking to explain policy choice from the configuration of social forces - whether conceived in class, interest group, or sectoral terms -have fundamental empirical and theoretical limitations. The influence of social forces on policy is undeniable, but it is always mediated by institutional settings. This distinctiveness is associated with the refusal to take the relative strength of different classes or the character of relations among them for granted. The power of dominant and subordinate classes, like the strength and autonomy of the state, is taken as a variable. (Evans and Stephens 1988/1989: 719) 3) Although international pressures may provide the stimulus while the domestic social structure broadly constrains choice, policy change can also be conditioned or at least influenced by the interests of political forces - in building and sustaining bases of support. The emphasis given to politically motivated choice by state actors falls broadly within the realm of the institutional context within which political choice takes place. Finally, "the state" is not only an actor but also a set of institutions that exhibit continuity over time; a field of play that provides differential incentives for groups to organize. Because of variations in institutional structure, political elites differ in their organizational capabilities and the instruments at their disposal for pursuing their goals. Institutional variation is critical for understanding why some states are capable of pursuing the polices they do. Thus, the intersection between choice and institutional constraint must be added to political economy explanations of economic growth. (Haggard 1990: 3-4)

The argument is that patterns of foreign direct investment (FDI) and dependency are closely related to phases of NIC and would-be-NICs growth and to government policies and incentives. The main

¹⁸Several endogenous economic elements help explain transitions between different growth phases, among them the accumulation of capital and changing comparative advantage. However, government policy is also important. Four components of strategy demand explanation. The first is the strategy's *orientation*. Even countries pursuing similar strategies exhibit variation in the extent of state intervention to promote industry. What explains this variation is the choice of policy *instruments*. Strategies are also pursued under the auspices of different *agents*. To what extent (and why) are local, foreign, or state-owned enterprises given precedence? Finally, we must be concerned with what Barry Posen has called the *integration* of a given strategy (Posen cf Haggard 1990: 27-28).

adjustment challenge, which faced East Asian NICs in the 1970s, involved navigating within an increasingly politicized international trading system. At that time, commercial borrowing by the NICs far overshadowed FDI as a source of external capital. Viewed over a longer period, supply shocks and global macroeconomic trends have had a more profound effect on developing countries than has the TNC effect. (Haggard 1990: 20-21)

Therefore, international pressure can be perceived as the most powerful stimulus behind policy reforms. The international system can constrain state choices in two ways: through market pressure, and through political pressures. Hence, this raises the expectation that external shocks would be met not only with discrete policy changes but with institutional innovations that tend to be centralizing and interventionary. They have differential effects on different countries, but much depends on the size and the plausibility of "staying the course". Major Powers in the world possess a variety of assets - military capability and aid funds in particular that give them leverage over smaller states. Furthermore, the strength of different social groups - agricultural interests, labor, and business - also can constrain or widen the feasible set of policy reforms, but it is difficult to explain policy outcomes by reference to coalitional interests alone; this is particularly the case where social groups are poorly organized, interests are subject to uncertainty, and states are "strong." External shocks do provide an incentive to reform, and social forces are broadly constraining; nonetheless, explaining reform processes also demand attention to the interests of politicians, the institutional context in which they operate, and the ideas available to them concerning economic growth. (Haggard 1990: 28-29)

On the basis of this discussion the justification for a closer look at the state as both actor and institution combined with a class based approach to policy should take into the analysis the interests and organizational power of dominant social actors; a statist or institutional approach, by contrast, explains policy in terms of the preferences and organizational power of state elites. These may include a rather broad set of political, military, and bureaucratic elites occupying offices in which authoritative allocative decisions are made, but this will focus mainly on the role of bureaucracies, technocracies and government elites in the executive branch.

To summarize, policies reflect the effort to build and sustain coalitions, but available organizational resources expand or contract politician's freedom of maneuver. Characteristics of the state as an institution - the degree of autonomy from social forces, the cohesion of the policy-making apparatus, and the available policy instruments - are crucial in understanding policy reform (Haggard 1990: 46). State autonomy may explain the *capacity* to formulate and execute an economic program, but it does not answer the nagging question where state interests come from. I have tried to illustrate and summarize these points in Figure 2 and 3.

In the context of policy formulation, the question of how and where ideas come from and how they are formed and implemented is also of importance. Thus, one methodological point and possible source for capacity building is related to disentangling the influence of ideas: hence, the plausibility of ideological arguments for policy reforms increases with the degree of autonomy of political elites from societal or international constraints. When these constraints operate, it becomes more difficult

to separate ideational and material variables; when political elites are autonomous, their ideological visions and "projects" weigh more heavily on the course of policy (Haggard 1990: 47).

Dependency writings recognized the role of the state in mediating dependency relations, but require theories of broader institutionalism (public policy) to establish the links between politics, state intervention, and firm behavior. On the other hand, determinants of FDI are complex, and a complete account must consider macroeconomic variables as well as characteristics of the sector. 1) A simple factor-endowment approach that stresses the relationship between comparative advantage and patterns of investment. For a given endowment, three distinct levels of national policy can affect investment. a) basic property rights, b) the structure of incentives that result from trade, exchange-rate, and pricing policies. c) Finally, within the context of a given structure of property rights and development strategy, governments develop discrete policies toward particular sectors and firms. These propositions raise some basic questions. Although there is a symmetrical pattern sectoral responses may differ. Why does the state assume 'the political will' to bargain with TNCs and why does it sometimes, if possible, as in the case of Japan and South Korea, try to control them by using tax incentives and various regulatory controls. Some regulations, such as restrictions on equity, may have the effect of severely limiting TNC activity. If foreign investment is affected by national strategies, "dependency" must be seen as effect as well as cause (Haggard 1990: 192 and 193).

Recognition of the importance of state capacity, not simply in the sense of the prowess and perspicacity of technocrats within the state apparatus but also in the sense of an institutional structure that is durable and effective, is characteristic of what Evans terms "the third wave of thinking about state and development." (Evans 1992: 141) The East Asian NICs are in this context conceptualized as "embedded states" which in contrast to "predatory" states, such as Zaire, has a large degree of autonomy and "depends on an apparently contradictory combination of Weberian bureaucratic insulation with intense immersion in the surrounding social structure. How this contradictory combination is achieved depends, of course, on both the historically determined character of the state apparatus and the nature of their social structure in which it is embedded..." (Evans 1992: 154) In addition, a view of the most important state capacities and their expansion i.e. extractive capacity, coercive capacity and incorporative capacity will be examined.

(JOHNOADH) Regulation Policy outcome Implemen-Institutions INCLIONS INBS tation State-centered Forces State Interests **Technocrats** Bureaucrats Policy choice Figure 2: Internal and External Influences on Economic Policy-making **Development Banks** Institutions World Bank IMF Multilateral Regional Decisionmaking Society-centered Forces Interest Groups Formal Planning Classes Core Formulation Decisions Strategic international Isnoitsn - 60 -

| Figure 3 | State | The developme | Public economic decision-making |
|----------|------------------------|---|---|
| (input) | Form of representation | External ties: (political capacity) sufficient autonomy/insulation organized networks of external ties/embedded autonomy | strategic decisions |
| | Form of organization | Internal structure: (administrative and technical capacity) - stable, well-developed, coherent, - bureaucratic organization - non-bureaucratic bases if internal solidarity/informal networks | formal planning |
| (output) | Form of intervention | Directive intervention: - directly involved in the processes of investment, production and circulation eliminating or circumscribing the freedom of economic actors - strategic and selective application of incentives and/or controls | policy implementation (compliance mechanisms) |
| | | Economic outcome - growth, efficiency and competi-tiveness | private economic decision-making |
| | | (- equity) | |

The differences between three different types of states is illustrated in Figure 4. The predatory state, with Zaire as example, lacks bureaucratic capacity and has a weak organizational structure in its domestic setting. Furthermore, it does not have autonomy with regard to its ties and bargaining with

international actors and institutions, and it is also kleptopatrimonialist in the sense that corruption and rent-seeking are widespread through a personalized rule and more or less uncontrolled market. The intermediate state is illustrated by the Brazilian example. The state's internal structure is fragmented, divided, segmented and unstable but occasionally it has had a degree of embedded autonomy vis-a-vis external forces. In contrast, the developmental state has a high degree of embedded autonomy and some degree of insulation and social connectedness. This is enforced by a stable, coherent, and comprehensive bureaucratic organization - what Evans calls "reinforced Weberianism."

Figure 4

Peter Evans: A comparative Political Economy Perspective on the Third

World State

| State | Predatory | Intermediate | Developmental |
|--------------------|--|---|---|
| Example | Zaire | Brazil | South Korea |
| Internal structure | Lack of bureaucratic capacity: undisciplined internal structure | Fragmented, divided, segmented and unstable bureaucratic apparatus | Stable, well-developed, coherent bureaucratic organization: - "reinforced Weberianism" (Weberian bureaucracy + informal networks) |
| External ties | Lack of autonomy: - kleptopatrimonialism (personalism - individualized ties) - ruled by the invisible hand | Occasionally approximate embedded autonomy (partial embedded autonomy with "pockets of efficiency") | Embedded autonomy: - some degree of insulation and social connectedness (close connections to private actors that can provide useful intelligence and a possibility of decentralized implementation) |

Concluding remarks

The state is as central to economics of development as well as to its politics. Economic rationality cannot be separated from political rationality - and it is expected that other developing societies will exhibit the same characteristics as first late-industrializers that consisted of "politicized market economies" (Evans and Stephens 1988/1989: 724).

Recognition of the importance of state capacity, not simply in the sense of the prowess and perspicacity of technocrats within the state apparatus but also in the sense of an institutional structure that is durable and effective, is characteristic of what can be termed "the third wave of thinking about state and development" (Evans 1992: 141). The East Asian states are what Evans terms "embedded states" which in contrast to the "predatory" state such as Zaire has a large degree of autonomy "depends on an apparently contradictory combination of Weberian bureaucratic insulation with intense immersion in the surrounding social structure. How this contradictory combination is achieved depends, of course, on both the historically determined character of the state apparatus and the nature of their social structure in which it is embedded..." (1992: 154).

The differences between three different types of states is illustrated in Figure 2. The predatory state with Zaire as example lack bureaucratic capacity and has a weak organizational structure in its domestic setting. Furthermore, it lacks autonomy with regard to its ties and bargaining with international actors and institutions, and is kleptopatrimonialist in the sense that it is highly corrupt and rent-seeking is widespread through a personalized rule and more or less uncontrolled market. The intermediate state is illustrated by the Brazilian example. The state's internal structure is fragmented, divided, segmented and unstable but occasionally it has had a degree of embedded autonomy vis-a-vis external forces. In contrast the developmental state has a high degree of embedded autonomy and some degree of insulation and social connectedness. This is enforced by a stable, coherent, and comprehensive bureaucratic organization - what Evans calls "reinforced Weberianism."

Let me finally elaborate a little bit on the concept of the "custodian state" (Schmidt 1997). The role of the custodian highlights one aspect of the conventional role of regulator. All states formulate and enforce rules, but the thrust of rule making varies. Some rules are primarily promotional, aimed at providing stimulus and incentives. Other regulatory schemes take the opposite tack, aiming to prevent or restrict the initiatives of private actors. The rubric "custodian" identifies regulatory efforts that privilege policing over promotion (also Evans 1995: 13). However according to this line of thinking this is only one link of the state. The argument is further extended because many states in the developing world act as custodians in its original meaning: As official doormen.

The essential outline of this point of departure can be recapitulated in Evans three points (1995: 17): First, developmental outcomes depend on both the general character of state structures and the roles states pursue. Second, state involvement can be associated with transformation even if we take sectoral policies such as labor policy, land reforms or other redistributive policies as measures.

Finally, an analysis of states and industrial transformation cannot stop with the emergence of the industrial landscape. Successful transformation changes the nature of the state's private counterparts, making effective future state involvement dependent on the reconstruction of state-society ties.

Let me finally recapitulate. The crisis of development theory reflects the more general crisis in the social sciences and society as such. Development theory as a distinct field in the social sciences have had an enormous influence in policy-making and important consequences for everyday life in developing societies. What I do want stress here is the fact that markets are the functions of politics. Developing societies are late-comers pursuing a catching-up process, meaning the transformation from agrarian or other types of subsistence to an industrial and service economy. However, let me also ask whether we can really term a society developed or underdeveloped if the state and policy-makers do not have any political economic autonomy; if there is no indigenous bourgeoisie; petty bourgeoisie; working class etc.? No independent or relatively minor national or local capital accumulation; low self-esteem (identity, dignity, respect, honor, recognition) meaning a lack of control of one's destiny and also implying limited freedom from external dependence and dominance; trade policies; public and private aid; technology; education; values/life-styles etc. Is this development or a willingness to be dominated and dependent?

Postscript

Before closing this discussion of the theoretical tools and concepts as well as levels of analysis of development studies (encompassing geo-economics and geopolitics) it is of importance to touch upon an aspect, which has not been treated so far in the dissertation. The reason for this is that the consequences of China's trajectory are themselves evolving at such a pace that it would require full attention and treatment. One thing is certain: China is the "elephant in the room" of development studies and international relations (Schmidt & Hersh 2018; Schmidt & Hersh 2019).

Treatment of the entrance of China in the world economy deserves the attention of scholars and students. In this context, it ought to be mentioned that the emergence of China as the "workshop of the world" and well on its way to becoming the greatest consumer nation is an evolution which has both alleviated the short term crisis of capitalism and simultaneously accentuated the long-term malfunctioning of the global economy. Not to be discarded is the fact that China has internally brought according to the World Bank 800 million Chinese, out of poverty since the 1970s. An unprecedented achievement in the annals of world history.

Western (mainly US) economists and politicians were unable to draw conclusions from this truly great achievement, which deserves to be central to future to paradigms of international political economy and development studies. Under the heading "What the West Got Wrong" *the Economist* (March 1, 2018) complained about how the West lost its control of China's evolution. "They hoped that economic integration would encourage China to evolve into a market economy and that, as they grew wealthier, its people would come to yearn for democratic freedoms, rights and the rule of law."

The editorial is interesting in that it points to an alternative development strategy than the one recommended by the "Washington Consensus". In the words of *the Economist* which considers these achievements as negative unintended consequences of the anomaly of China's development: "Yet China is not a market economy and, on its present course, never will be. Instead, it increasingly controls business as an arm of state power. It sees a vast range of industries as strategic." (ibid)

The readers of this dissertation will see a resemblance to the experiences of Japan and the East Asian Newly Industrialized Countries. A major difference however is the degree of autonomy and the strategic role of China on the world scene of geo-economics and geopolitics

Another heuristic aspect of China's rise which academic research ought to take into consideration is the fact that both Marx and Engels realized that the inclusion of China in the capitalist world, would as a consequence destabilize the international system of capitalism and perhaps open the another mode of production and distribution.

Concluding Remarks and Introduction of the Doctoral Dissertation

According to conventional wisdom, the fields of development studies and international relations, should ideally speaking be regarded as two separate disciplines within the body of social sciences? In line with this way of thinking, the problem of development/underdevelopment is more or less treated as being outside the realm of the international system.

For critical thinking on the other hand, the two areas are interlinked in what some of us would describe as a symbiotic and uneven relationship. Accordingly, without considering the interconnection between socio-economic and political change in both the developing countries, and the hierarchical capitalist world system, we miss what has historically taken place and is presently taking place. In this sense, the notion of imperialism does not lose its relevance.

Combining the disciplines of development and international relations is therefore both a critique of the exclusion of development from the discipline of international relations and an attempt to rethink what development (Dickson 1997) might mean in the new millennium.

Before introducing the remaining sections and chapters of this dissertation let us recapitulate the reconstruction of the overall objective as unfolded in section one. It is the intention to analyze the interaction of national development in developing societies and the world political economy by exploring four salient characteristics: The first attempt is to examine the consequences of international flows of capital and commodities for domestic institutions and how they affects each development trajectory. Secondly, the intention is to analyze whether the autonomy and capacity to negotiate the external linkages of the state produce positive or negative results in terms of wealth distribution. Thirdly, it aims to explore the positive cum negative characteristics of social and political forces' influence on state policy and decision-making processes. Finally, it intends to bring geopolitical and geo-economic factors into the analysis. (Evans and Stephens

1988: 751 and 768-759) Following this line of thinking it is the intention to bridge the gap between market fundamentalism and statism by applying a structural approach and further develop the theoretical concept of the critical CPE. (Henderson and Appelbaum 1992; Schmidt 1993)

Section two: "Understanding the Political Economy of Social Change in Southeast Asia" consist of three chapters. Chapter four "Neoliberal Globalization, Social Welfare and Trade Unions in Southeast Asia"; five. Globalization, Democratization, and Labor Social Welfare in Thailand; six. Civil Society and Distributional Conflicts in Southeast Asia. This section focuses on the how non-state actors including trade unions and civil society actors and institutions negotiate, bargain and in several cases come into conflict with the externally imposed economic policies and reforms in the respective countries of Southeast Asia. These chapters reflect the type of analysis, which the CPE encourages by searching for the relationships between the ideological, class and state constellations in the region and domestic contexts.

Section three: "Regional and International Dynamics" comprises three chapters. Chapter seven: Social Compacts in Regional and Global Perspective; Eight. Flexicurity, Casualization and Informalization of Global Labour Markets; Nine. Social welfare and Harmony in East Asia and the Nordic Region. The comparative method is prevalent in all chapters of this dissertation. In this section – chapter three – the three contributions all dip into the archeology of the key concepts of the CPE framework with an explicit focus on the social change and resistance components. The main objective is to see whether regional compacts and changing labor institutional arrangements have a potential for change or to retain status quo.

Section four: "Challenges in IPE – Focus on Foreign Policy" presents three chapters: 10. India China Encroachment and Positioning in Southeast Asia; 11. The Elephant and the Panda - India and China: Global Allies and Regional Competitors; 12. China's Soft Power Diplomacy in Southeast Asia. This section explores the predicaments of governance, regimes, CPE and foreign policy. The explicit aim is to uncover the almost symbiotic relationship between the domestic policies (i.e. reforms and economic policy-making) and the relationship with the external systemic structures. Again, the aim is not to close the theoretical perspective but to give space for a critical engagement with, for instance, Joseph Nye's concept of "soft power diplomacy" and Philip Cerny's concept of the hollowing out and fragility of state sovereignty. As he mentions: "This implies that we should identify the main kinds of structural differences that characterize the new world order - not holistic categories based on territorial boundaries, but what might be called functional categories - such as social contracts or social bonds that are being challenged and in some cases eroded at the national level by the impact of neoliberal globalization." (2006: 377-378)

In section five: "Global, Regional and National Crises – Searching for Alternatives" the remaining three papers are introduced. What they have in common is their attempt to discuss a variety of alternative paths. Not exclusively because of capitalism's inherent tendency to repeatedly produce economic crises or what is euphemistically called financial crises. Rather because economic crises are not simply the result of a mechanical cycle of boom and bust, like a pendulum, that swings one way and then the other, as many conventional economists would have us believe. Rather, crises occur because of the contradictions inherent in the capitalist system.

Bibliography

Adams, Nassau (1993) Worlds apart: The North-South divide and the international system (London: Zed Books).

Almond, G. & Powell, B. (1966) Comparative Politics: A Developmental Approach (Little Brown, Boston).

Amin, Samir (1974) Accumulation on a World Scale: A Critique of the Theory of Underdevelopment (New York: Monthly Review Press).

Amsden, Alice (1994) Why Isn't the Whole World Experimenting with the East Asian Model to Develop? Review of The East Asian Miracle, World Development, Vol.22, No. 4.

Amsden, Alice (1989) Asia's Next Giant: South Korea and Late Industrialization (New York: Oxford University Press).

Arnold, N. Scott (1990) Marx's Radical Critique of Capitalist Society. A Reconstruction and Critical Evaluation (New York: Oxford University Press).

Baran, Paul (1973 [1962]) The Political Economy of Growth (Penguin, Harmondsworth).

Barrington Moore, Jr. (1981) Social Origins of Dictatorship and Democracy. Lord and Peasant in the Making of the Modern World (Harmondsworth, Middlesex: Penguin Books).

Belassa, B. (1981) The Newly Industrializing Countries of the World Economy (New York: Pergamon).

Bell, Daniel (1960) The End of Ideology: On the Exhaustion of Political Ideas in the Fifties (Glencoe, IL: Free Press).

Biel, R; (2000) The New Imperialism - Crisis and Contradictions in North-South Relations (London: Zed Books).

Booth, David (1993/96) "Development Research: From Impasse to a New Research Agenda", in Schuurman.

Bowie, A. O. (1989) The Political Economy of Industrial Development in Malaysia, 1957-1988, PhD Dissertation (Berkeley: University of California).

Braudel, Fernand (2009) History and the Social Sciences: The Longue Durée. Review 32, 2.

Broad, Robin (1988) Unequal Alliance, 1979-1986. The World Bank, the International Monetary Fund, and the Philippines (Quezon City, Metro Manila: Ateneo De Manila University Press).

Brown, Chris (1997) Understanding International Relations (London: Macmillan Press).

Cardoso, Fernando Henrique and Enzo Faletto (1979) Dependency and Development in Latin America (trans. Marjory Marringly Urquidi) (Berkely and Los Angeles: University of California Press). Dependencia y desarrollo en America Latina, Mexico: Siglo XXI, 1969, (English translation, 1979, Uni. of California Press).

Carmen, Raff (1996) Autonomous Development. Humanizing the Landscape. An Excursion into Radical Thinking and Practice (London: Zed Books).

Castells, Manuel & Tyson, Laura D'Andrea (1989) High Technology and the Changing International Division of Production: Implications for the US. Economy. In Randall B. Purcell (ed.) The Newly Industrializing Countries in the World Economy. Challenges for U.S. Policy, (Boulder & London: Lynne Rienner Pub).

Cerny P. (2006) Political Globalization and the Competition State. In R. Stubbs and G. Underhill (Eds) Political Economy and the Changing Global Order,pp. 376-86 (Toronto: Oxford University Press).

Cerny, Philip G. (2000) Restructuring the Political Arena: Globalization and the Paradoxes of the Competition State, in Randall G. Germaine, Globalization and its Critics Perspectives from Political Economy (London: Macmillan)

Charoensin 0-lam, Chairat (1988) Understanding Postwar Reformism in Thailand: A Reinterpretation of Rural Development. Series of Contemporary Thai Studies (Bangkok: Duankamol).

Chirot, Daniel (1986) Social Change in the Modern Era (Harcourt Brace Jovanovich, Inc., Orlando).

Chowdhry Geeta, Nair Sheila (2002) Power, Postcolonialism and International Relations: Reading race, gender and class (London: Routledge).

Corbridge, Stuart (1990) Post-Marxism and Development Studies: Beyond the Impasse, World Development, vol. 18, no. 5.

Cox, M. (2008) 1989 and why we got it wrong. (Working Paper Series of the Research Network 1989, 1). Berlin.

Cox, Robert (1986) Social Forces, States and World Orders: Beyond International Relations Theory, in R. O. Keohane (ed.) *Neorealism and Its Critics* (New York: Columbia University Press).

Cox, Robert (1981) Social forces, states and world order: beyond international relations theory Millenium, Journal of International Studies, vol. 10, no. 2.

Crone, Donald K. (1988) State, Social Elites, and Government Capacity in Southeast Asia, World Politics, vol. 40, no. 2.

Deaton, A. et al (2006) An Evaluation of World Bank Research, 1998-2005, available at http://siteresources.worldbank.org/DEC/Resources/847971109362238001/726454-1164121166494/RESEARCH-EVALUATION-2006-MainReport.pdf

Deb, Debal (2009) Beyond Developmentality. Constructing Inclusive Freedom & Sustainability (Delhi: Daniish Books).

Deyo, F. C. (1989) Beneath the Miracle - Labor Subordination in the New Asian Industrialism, (Berkeley: University of California Press).

Dickson, Anna (1997) Development and International Relations (Cambridge: Polity Press).

Dunne, Tim, Lene Hansen and Colin Wight (2013) *The end of International Relations theory?* European Journal of International Relations, 19(3).

Easton, David (1971) The Political System: An Inquiry into the State of Political Science (New York: Alfred A. Knopf).

Edwards, Michael (1989) The Irrelevance of Development Studies, Third World Quarterly, vol. 11, no. 1, Jan.

Emmanuel, Arghiri (1972) Unequal Development. A study of the Imperialism of Trade (Monthly Review Press, New York).

Ernst, Dieter and David O'Connor (1989) Technology and Global Competition: The Challenge for Newly Industrialising Economies, Paris: OECD Development Centre Studies.

Evans, Mark (2019) International Policy Transfer. Between the Global and Sovereign and Between the Global and Local, in Diane Stone and Kim Moloney (Eds) The Oxford Handbook of Global Policy and National Administration, (Oxford: Oxford University Press).

Evans, Peter (1995) Embedded Autonomy. States and Industrial Transformation (Princeton New Jersey: Princeton University Press).

Evans, Peter (1992), The State as a Problem and Solution: Predation, Embedded Autonomy, and Structural Change, in Stephan Haggard and Robert R. Kaufman (Eds.), *The Politics of Economic Adjustment. International Constraints, Distributive Conflicts, and the State* (Princeton New Jersey: Princeton University Press).

Evans, Peter & John D. Stephens (1988) Development and the World Economy, in Neil J. Smelser (ed.) *Handbook of Sociology* (Newbury Park: Sage).

Evans, Peter and John D. Stephens (1988/89) Studying Development Since the Sixties. The Emergence of a New Political Economy, Theory and Society, Special Issue on Breaking Boundaries: Social Theory and the Sixties, vol. 17, no. 5.

Evans, Peter, Dietrich Rueschemeyer, and Theda Skocpol (eds.) (1985) Bringing the State Back in (Cambridge: Cambridge University Press).

Evans, Peter (1979) Dependent Development: The Alliance of Multinational, State and Local Capital in Brazil (Princeton University Press, Princeton NJ).

Fajnzylber, F. (1989), 'Technical change and economic development: Issues for a research agenda', paper presented at World Bank seminar on 'Technology and Long-term Economic Growth Prospects', Washington, DC, November.

Falk, Richard (2000) Resisting 'Globalization-from-Above' through 'Globalization-from Below, in Barry Gills (eds) Globalization and the Politics of Resistance (London: Macmillan).

Fine, Ben (2009) Development as Zombieconomics in the Age of Neoliberalism, Third World Quarterly, 30:5, 885-904,

Frank, Andre Gunder (1967) Capitalism and Underdevelopment in Latin America: Historical Studies of Chile and Brazil (Monthly Review Press, New York).

Frobel, Folker et al. (1980) *The New International Division of Labour* (Cambridge University Press, Cambridge).

Gao, Mobo (2008) *The Battle for China's Past -Mao & the Cultural Revolution* (London & Ann Harbor: Pluto Press).

Gerschenkron, Alexander (1962) Economic Backwardness in Historical Perspective. A Book of Essays (Cambridge, Mass.: Harvard University Press).

Gills, Barry (ed.) (2000) Globalization and the Politics of Resistance, Macmillan, London and New York.

Gilpin, Robert (1987) *The Political Economy of International Relations* (Princeton, New Jersey: Princeton University Press).

Gramsci, Antonio (1971) Selections From the Prison Notebooks, Lawrence and Wishart, London.

Haggard, Stephan (1990) Pathways From the Periphery: The Politics of Growth in the Newly Industrializing Countries (Cornell University Press, Ithaca).

Haggard, Stephan (1988) The Politics of Industrialization in the Republic of Korea and Taiwan, in Helen Hughes (ed) *Achieving Industrialization in East Asia* (New York: Cambridge University Press).

Hall, Peter (1986) Governing the Economy. The Politics of State Intervention in Britain and France (Cambridge: Polity Press).

Harris, John (2005) Great promise, hubris and recovery: a participant's history of development studies, in Uma Kothari, A Radical History of Development Studies. Individuals, Institutions and Ideologies (London: Zed Books).

Harvey, David (2007) A Brief History of Neoliberalism (Oxford: Oxford University Press).

Henderson, Jeffrey and Richard P. Appelbaum (1992) Situating the State in the East Asian Development Process, in Richard P. Appelbaum and Jeffrey Henderson (eds.) States and Economic Development in the Pacific Rim (Newbury Park: Sage).

Hersh, Jacques and Johannes Dragsbaek Schmidt (eds.) (1996) The Aftermath of 'Real-existing Socialism.' Eastern Europe. Between Western Europe and East Asia (New York: Macmillan, London and St. Martin's Press).

Hersh, Jacques and Johannes Dragsback Schmidt (1996) After the Meltdown of Soviet-type Socialism: Presenting the Issues in Jacques Hersh and Johannes Schmidt (eds.) 1996.

Hersh, Jacques and Johannes Dragsbaek Schmidt (1996) East Europe: Between Western Europe and East Asia. Squaring the Circle? in Jacques Hersh and Johannes Schmidt (eds.) 1996.

Hersh, Jacques (2009) "To be or not to be?": Survival in a sea of troubles, Keynote lecture DIR seminar, Skagen (unpublished).

Hettne, Bjorn (1990) Development Theory and the Three Worlds (Essex: Longman).

Higgott, Richard and Richard Robison, With Kevin J. Hewison and Garry Rodan (1985) Theories of development and underdevelopment: implications for the study of Southeast Asia. In Richard Riggott, Richard Robison, & Kewin Hewison, Southeast Asia - Essays in the Political Economy of Structural Change (London: Routledge & Keegan).

Hoffman, Stanley (1990) A New World and Its Troubles, Foreign Affairs, vol. 69, no. 4.

Hobson, J. M. (2004) The Eastern Origins of Western Civilization (Cambridge: Cambridge University Press).

Hoogvelt, Ankie (1997) Globalization and the Postcolonial World (London: Macmillan).

Huntington, Samuel P. (1996) The Clash of Civilizations and the Remaking of World Order (New York: Simon and Schuster).

Huntington, Samuel (1993) *The Clash of Civilizations?* Foreign Affairs, Summer 1993, pp. 22-49.

Huntington, Samuel (1968) Political Order in Changing Societies (New Haven CT: Yale University Press).

Hönke, J., & Lederer, M. (2013). Development and International Relations. In Handbook of International Relations SAGE Publications Inc.

Jones, Branwen Gruffydd (2006) Introduction: International Relations, Eurocentrism, and Imperialism, in Branwen Gruffydd Jones (Ed) Decolonizing International Relations, (Lanham: Rowman and Littlefield Publishers).

Johnson, Chalmers (1982) MITI and the Japanese Miracle (Stanford: Stanford University Press).

Johnson, Chalmers (1986) *The NonsocialistNICs: East Asia*, International Organization, Vol.40, No.2, Spring.

Johnson, Chalmers (1987) "Political Institutions and Economic Performance: The Government Business Relationship in Japan, South Korea and Taiwan". In Frederic C. Deyo (ed.), *The Political Economy of the New Asian Industrialism* (Ithaca: Cornell University Press).

Johnson, Chalmers and E. B. Keehn (1994) A Disaster in the Making. Rational Choice and Asian Studies. The National Interest, Summer.

Kaldor, Mary (1991) After the Cold War, in Mary Kaldor (ed.), *Europe From Below*. An East- West Dialogue (London: Verso).

King, V. T. (1996) Sociology, in M. Halib and T. Huxley (eds) *An Introduction to Southeast Asian Studies*, Tauris Academic Studies (London and New York: I. B. Tauris Publishers).

Kotz, M., Terrence McDonough, and Michael Reich (1994) Social Structures of Accumulation: The Political Economy of Growth and Crisis. Edited by David (Cambridge University Press).

Krasner, Stephen (1978) Defending the National Interest (Princeton: Princeton University Press).

Lee, Sue-Hon (1988) State-Building in the Contemporary Third World, *IFES THIRD WORLD SERIES*, no 2 (Seoul: Westview Press, Boulder-Kyungnam University Press).

Leys, Colin (2003) Market-Driven Politics. Neo-Liberal Democracy and Public Interest (London: Verso).

Lim, Hyan-Chin (1982) Dependent Development in the World-System: The Case of South Korea, 1963-1979, Ph.D. Dissertation (Harvard: Harvard University).

Martin, Kurt (1991) Modern Development Theory, in Kurt Martin (ed.) Strategies of Ecnonomic Development. Readings in the Political Ecnonomy of Industrialization (Houndmills, Basingstoke: Macmillan in association with Institute of Social Studies).

Martinussen, John (1997) Society, State & Market. A guide to the Competing Theories of Development (London: Zed Books).

Marx, Karl (1991) Capital, Vol III (Harmondsworth: Penguin Books).

Marx, Karl (1977) [1848] Speech delivered to the Democratic Association in Brussels 9 May 1848. from David McLellan (ed.) Karl Marx. Selected Writings (Oxford: Oxford University Press).

Marx, Karl & Friedrich Engels (1998) [1846] Die deutsche Ideologie, Marx Engels-Werke, Band 3: 9-429. From Karl Marx, The German Ideology. Literary Theory: An Anthology. 2nd ed. (Oxford: Blackwell).

McMichael, P. (2018) Towards an ecology of development In Fagan, G. H. & R. Munck (eds.) *Handbook on Development and Social Change*, Cheltenham, UK, Edward Elgar.

McMichael, Philip (1996) "Development and Social Change. A global perspective" (Thousand Oaks: Pine Forge Press).

Mills, C. Wright (1961) [1959] The Sociological Imagination. (New York: Oxford University Press).

Mouzelis, Nicos (1994) The State in Late Development: Historical and Comparative Perspectives, in David Booth (ed.), *Rethinking Social Development. Theory, Research & Practice* (Essex: Longman).

Mushakoji, Kinhide (1994) Chaos in the New World Order, Proceedings of the 1993 ARENA workshop - Changing Global Realities and the Future of the Asian Peoples, Asian Exchange, Vol. 10, No. 2.

Myrdal, Gunnar (1957) Economic Theory and Underdeveloped Regions (London: Duckworth).

Obama, Barack (2016) President Obama: The TPP would let America, not China, lead the way Washington Post, 2 May.

Packenham, Robert A. (1992) The Dependency Movement: Scholarship and Politics in Development Studies (Harvard: Harvard Uni. Press).

Payne, Anthony and Nicola Phillips (2010) Development (Cambridge: Polity).

Permtanjit, Grit (1982) Political Economy of Dependent Capitalist Development: Study on the Limits of the State to Rationalize. (Bangkok: Chulalongkom University Social Research Institute).

Polanyi, Karl (1957) [1944] The Great Transformation - the political and economic origins of our time (Boston: Beacon Press).

Prebisch, R. (1950): The Economic Development of Latin America and its Principal Problems, Economic Bulletin for Latin America, Vol. VII, No. 1, February 1962 (reprinted) p.1-22.

Prebisch, R. (1959) Commercial Policy in the Underdeveloped Countries, The American Economic Review, Vol. XL IX/2, May, Papers and Proceedings, p. 251-273.

Prebisch, R. (1961) Economic Development or Monetary Stability, The False Dilemma, Economic Bulletin for Latin America, Vol. VI, No.1, March 1961, p.1-25.

Reynaud, Jean-Daniel (1991) 'La regulation sociale', in Revue international d'action Communautaire, 25/65, Spring 1991, pp. 121-6.

Reynaud, Jean-Daniel (1989) Les règles du jeu. (Paris: Armand Colin).

Reynaud, Jean-Daniel (1988) 'Les regulations dans les organisations: regulation de contrôle et régulation autonome', in *Revue française de sociologie*, XXIX, 1, January-March, pp. 5-18.

Reynaud, Jean-Daniel (1979) Conflit et régulation sociale: Esquisse d'une théorie de la régulation conjointe, in Revue française de sociologie, XX, 2 April-June 1979, pp. 367-76.

Ricardo, David (2004) [1817] On the Principles of Political Economy and Taxation, (Cambridge: University of Cambridge).

Roach, Stephen (ed) (2008) Critical theory and international relations. A reader (New York and London: Routledge).

Rousseau, Jean-Jacques (1993) [1762] The Social Contract and The Discourses, (London: Everymans Library).

Rostow, W.W. (1960) Politics and Stages of Growth (Cambridge: Cambridge University Press).

Rudebeck, Lars (1982) Väger til Udveckling (Uppsala: AKUT No 25).

Sachs, Wolfgang (ed) (1999) The Development Dictionary: A Guide to Knowledge as Power (London: Zed Books).

Said, Edward W. (1994) Representations of the Intellectual: The 1993 Reith Lectures (New York: Pantheon Books).

Sardar, Ziauddin (1999) Development and the Locations of Eurocentrism, in Ronaldo Munck & Denis O'Hearn, *Critical Development Theory* (London: Zed Books).

Sassoon, Anne Showstack (2000) The space for politics: globalization, hegemony and passive revolution, in J. D. Schmidt and Jacques Hersh (eds), *Globalization and Social Change* (London: Routledge).

Schuurman, Frans J. (1993/1996) Introduction: Development Theory in the 1990s, in Schuurman.

Schuurman, Frans J. (ed.) (1993/1996) Beyond the Impasse. New Directions in Development Theory, Zed Books, London.

Schmidt, Johannes Dragsbaek and Hersh, Jacques (2019) (in press) The Palgrave Encyclopedia of Imperialism and Anti-Imperialism, 2nd Edition. Cope, Z. & Ness, I. (red.) (London and New York: Palgrave Macmillan).

Schmidt, Johannes Dragsbaek and Jacques Hersh (2018a) The Orient Express and Late Development, Kasarinlan - Philippine Journal of Third World Studies, vol. 32, issue 1 and 2, pp. 24.

Schmidt, Johannes Dragsbaek & Hersh, Jacques (2018b) World Structure and the Eastern Wind: History, Analysis and World Order, Monthly Review, 01.02

Schmidt, Johannes Dragsbaek, Jacques Hersh and Niels Fold (eds.) (1997) *Social Change in Southeast Asia* (Longman, Harlow).

Schmidt, Johannes Dragsbaek, Jacques Hersh and Niels Fold (1997) *Changing Realities of Social Transition in Southeast Asia* in Johannes Dragsbaek Schmidt et al. 1997.

Schmidt, Johannes Dragsbaek, Jacques Hersh and Niels Fold (1997) Societal Forces and Class Constellations Behind Southeast Asian Capitalism. in Johannes Dragsbaek Schmidt et al. 1997.

Schmidt, Johannes Dragsbaek (1997) The Custodian State and Social Change - Creating Growth Without Welfare, in Johannes Dragsbaek Schmidt et al. 1997.

Schmidt, Johannes Dragsbaek (1997) "The Challenge From Southeast Asia: Between Equity and Growth". In Chris Dixon and David Drakakis (eds.) *Uneven Development in Southeast Asia* (Ashgate press, London).

Schmidt, Johannes Dragsbaek (1996), "Paternalism and Planning in Thailand: Facilitating Growth Without Welfare", in Michael Pamwell (ed.) *Uneven Development in Thailand* (Avebury Press, London).

Schmidt, Johannes Dragsbaek (1996) Models of Dirigisme in East Asia: Perspectives for Eastern Europe, in Jacques Hersh and Johannes Schmidt (eds.) 1996.

Schmidt, Johannes Dragsbaek (1993) In the Shadow of the Pacific Century. - Comparative Perspectives on Externalities Influence on Economic Policy-Making in Southeast Asian Wouldbe NICs, (Department of Development and Planning, Aalborg University) Development Research Series, no. 31, Aalborg, July.

Singer, H.W. (1950) The Distribution of Gains between Investing and Borrowing Countries, The American Economic Review, Vol.40, No. 2, p.473-486.

Smelser, Neil J. (1968) Essays in Sociological Explanation (New Jersey: Prentice-Hall).

Southall, Roger E. ed. (1988) Trade Unions and the New Industrialization of the Third World (Pittsburgh: Uni. of Pittburg Press).

Stephan, Alfred (1978) The State and Society: Peru in Comparative Perspective (Princeton University Press, Princeton).

Stinchcombe, A. L. (1978) Theoretical Methods in Social History (N.Y.: Academic Press).

Strange, Susan (1970) International Economics and International Relations: A Case of Mutual Neglect, International Affairs (Royal Institute of International Affairs 1944-), Vol. 46, No. 2.

Sutcliffe, Bob (1993/96) The Place of Development in Theories of Imperialism and Globalization, in Schuurman.

Tilly, Charles (ed.) (1975) The Formation of National States in Western Europe (Princeton University Press, Princeton).

Todaro, Michael P. (1982) Economics for a Developing World (London: Longman).

Toye, John (1987) Dilemmas of Development. Reflections on the Counter-Revolution in Development Theory and Policy (Oxford: Basil Blackwell).

Trimberger, Ellen Kay (1978) Revolution from Above - Military Bureaucrats and Development in Japan, Turkey, Egypt and Peru (New Brunswik, New Jersey: Transaction Books,).

Underhill, Geoffrey R. D. (2000) Conceptualizing the Changing Global Order, in R. Stubbs & G. R. D. Underhill (eds.) Political Economy and the Changing Global Order (Ontario: Oxford University Press).

US Department of State Current Policy Document No. 1298. Cf https://www.kofiannanfoundation.org/speeches/4561/#_ftn2

Wade, Robert (1996) The Role of the State in East Asian Capitalism - Lessons for Eastern Europe, in Hersh, J. and Schmidt, J. D. (eds) *The Aftermath of Real-Existing Socialism. East Europe: Between Western Europe and East Asia*, London: Macmillan, & New York: St. Martin's Press.

Wade, Robert (1990) Governing the Market. Economic Theory and the Role of Government in East Asian Industrialization (Princeton, New Jersey: Princeton University Press).

Wade, Robert & White, Gordon (1988) "Developmental States and Markets in East Asia: An Introduction," in G. White (ed.) *Developmental States in East Asia* (London: Macmillan).

Wade, Robert (1988) "The Role of Government in Overcoming Market Failure: Taiwan, Republic of Kores and Japan," in Helen *Hughes (ed.) Achieving Industrialization* in East *Asia*. (Cambridge: Cambridge University Press).

Wallerstein, Immanuel (1994) Development: Lodestar or Illusion? in Leslie Sklair (ed.) Capitalism and Development (London: Routledge).

Wallerstein, I. (1983) Historical Capitalism (London: New Left Books).

Wallerstein, I. (1979) The Capitalist World Economy (Cambridge: Cambridge University Press).

Wallerstein, I. (1974) The Modern World System, Capitalist Agriculture and the Origins of the European World Economic in the Sixteenth Century (New York: Academic Books).

Wertheim, W. F. (1995) *The Contribution of Weberian Sociology to Studies of Southeast Asia*, Journal of Southeast Asian Studies, vol. 26, no. 1 March.

Øyen, E. (1994) The Imperfection of Comparisons, in E. Øyen (ed.) Comparative ethodology. Theory and Practice in International Social Research (London: SAGE Studies in International Sociology 40).

Section II Understanding the Political Economy of Social Change in Southeast Asia

GLOBALIZATION AND THE POLITICS OF RESISTANCE EDITED BY BARRY K. GILLS

GLOBALIZATION AND THE POLITICS OF RESISTANCE

EDITED BY BARRY K. GILLS

FOREWORD BY
JOHN KENNETH GALBRAITH



INTERNATIONAL POLITICAL ECONOMY SERIES GENERAL EDITOR: TIMOTHY M. SHAW



14

Neoliberal Globalization, Social Welfare and Trade Unions in Southeast Asia

Johannes Dragsbaek Schmidt

Southeast Asia's political elite has deliberately encouraged economic growth by emphasizing international competition through a calculated export-led strategy and avoidance of social welfare programmes. The strategy is essentially based on an anti-entitlement attitude which has laid the groundwork for a stable societal order based on pragmatic political ideology and a specific set of social values. Policymaking in this regard has promoted a political culture which claims that public welfare reduces productivity. Despite decades of high economic growth rates, little emphasis has been devoted to education and health. Social welfare expenditures are primarily located in the private domain and concentrated on public employees. The explicit purpose of this course is to avoid wage increases and in general neutralize labour and oppositional policy groupings. This particular strategy has been implemented either through co-opting, repressing or linking economic growth and increases in employment opportunities with control by the government. Nevertheless, these societies experience pressures from the workforce on the state to adopt and implement social security related legislation and policies.

Globalization and social welfare

In the past two decades the high growth rates of the NICs (South Korea, Singapore and Taiwan) and the would-be NICs (Thailand, Malaysia, Indonesia and to some extent the Philippines) have been cited as successful examples of development with a small state sector, minimal public expenditure, light regulation and low taxation.

nal

rial 1

d economic igh a calcurogrammes. nt attitude er based on ues. Policyhich claims les of high d to educaily located loyees. The ses and in pings. This co-opting. n employvertheless. n the state nd policies.

ICs (South (Thailand, have been 1 state secv taxation.

Accordingly, the market mechanism is claimed to allocate wealth which automatically 'trickles-down' and thereby minimizes social inequalities. The objective of this liberal position is to rationalize the competition between different national economies in order to offer transnational capital the best conditions possible. Since investment in manufactured production and services increasingly favours those countries with low wages, minimal social security, health, safety and environmental costs, global competition increasingly becomes a zero-sum social game.

The societal arrangements which have been reached in both East and West are related to the constraints and possibilities which the world market imposes. Hence the above propositions about social welfare make the question of how states and policy-makers have controlled the nature and impact of globalization an important one. It is essentially a matter of how individual capitalist 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 '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.' 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.

Social policies are the outcome of contemporary struggles between classes and the state. They are essentially a national political issue but an issue which is being undermined by the logic of the hegemony and discourse of the 'Washington Consensus' on globalization and neoliberalism.

Contemporary development of social welfare policies

Throughout most Southeast Asian countries the primary social welfare roles were historically assumed by the family, and sometimes by the local community. It might thus be argued that to a large extent, economic growth substituted for social welfare during most of the post-war period.

Until the formation of an industrial working class and urbanization,

pressures for social protection on governments were limited. Thus policy-makers have been able to interpret the past in order to justify their lack of enthusiasm for the Western-type welfare state. In conventional thinking in Southeast Asia, whatever the social benefits, these were regarded as an act of political philanthropy to somewhat undeserving populations. Witness the view expressed in 1983 by the Prime Minister of Thailand: 'culturally the Thai behaviour and way of life are inactive... Lack of ambition is the big enemy of the Thai way of life . . . The democratic government must take some action by the establishment of the Department of Public Welfare as the tool for action.'2 This paternalistic attitude has meant that the prevailing welfare ideology of Thai policy-makers is more inclined to charity than services. In Singapore, 'the influence of the Poor Law Tradition, particularly the idea that the public money should not be "wasted" on the "undeserving" and the belief in the thesis of the perverse effect are strong in Singapore's public assistance programmes. Not only are these schemes limited in scope but they are also very strictly administered.'3

These common features of Southeast Asia show that traditional social values emphasize the duty of the family to support their members in need of help. Ideologies of meritocracy have meant that those who fail in society have little to fall back on and are seen to be responsible for their own failures. Stigmatization of the underprivileged is common throughout the region, which is clearly seen in the views taken by political elites who characterize the poor as 'lazy'. Hence the dominant discourse of policy elites is that financing social security should primarily be based on individual and family responsibility.

Nevertheless, there exists a large gap between constitutional statements concerning the obligations of the state to provide social welfare and the reality of entitlement. For example, the Filipino 1973 Constitution proclaims the people's right to social services. The Declaration of Principles and State Policies commands that the state shall establish, maintain and ensure adequate social services to guarantee the people a decent standard of living. The system consists of a mandatory basic universal coverage, supplemented by occupational pension plans. Obviously, the Philippines, with its high foreign debt, introduced legislated social security programmes, as early as the midintroduced legislated social security programmes, as early as the midintroduced for Malaysia, sickness, maternity and medical care; while

pr the by I cer sch for ent info nor hav unf: basi a hi ture In Ir secui the a Mala total by 1. cent. and O and fi n.a.). creases and G health per cei govern per cer

The st

In gene different 'welfare consider and, esj guarante accepted

imited. Thus order to jusfare state. In e social benanthropy to expressed in he Thai ben is the big nment must nt of Public e has meant ters is more nfluence of ıblic money elief in the ublic assista scope but

traditional pport their lave meant on and are tion of the h is clearly e the poor is that fividual and

onal statecial welfare 1973 Con-Declaration e shall esguarantee nsists of a cupational reign debt, heast Asia s the midinvalidity; are; while

programmes covering work injury were inaugurated as early as in the 1920s, 1930s, and late 1950s. However, the small coverage is by and large employment-based and not universal.

In the beginning of the 1980s, Thailand spent less than 0.5 per cent of the total budget on social benefits.6 'Official social security schemes (covered by the Social Security Act) are available only to formal sector workers in the civil service and those working in enterprises employing ten workers and more. Those working in the informal sector do not receive protection under the labour law, nor are they covered by social security provisions.'7 'Thailand does have problems of social exclusion due to uneven development and unfair institutional arrangements, such as inadequate provision of basic social goods . . . '8 In contrast, Singapore, which is classified as a high-income society, spends only 2.15 per cent of total expenditure or 0.49 per cent of GDP in 1989 on social security and welfare.9 In Indonesia, the percentage of the labour force covered by social security was 4-5 per cent in 1985, and confined to civil servants, the armed forces, and industrial workers and their dependants. 10 In Malaysia public expenditures on social security as a percentage of total government expenditure rose in the period from 1980 to 1993 by 1.84 per cent, and as a percentage of GDP by only 0.32 per cent. The figures in the same period for the Philippines were 0.67 and 0.39 per cent, respectively; Singapore 2.58 and 0.39 per cent; and finally Thailand 1.27 and 0.08 per cent (figures for Indonesia n.a.). Health, education and housing saw only very marginal increases both in terms of percentages of total government expenditure and GDP. The exception is Thailand where public expenditures on health, covering the same period as above, rose from 4.09 to 8.15 per cent and 0.78 to 1.10 per cent, respectively. In Singapore, the government's share in total health expenditure declined from 40.1 per cent in 1970 to 27.4 per cent in 1989.11

The status of social welfare in the 1990s

In general, the status of welfare in Southeast Asia is not entirely different from the Japanese, South Korean and Taiwanese cases where, 'welfare policy has been dominated by economic rather than social considerations supported by some underlying ideas of anti-welfarism and, especially, by resistance to the provision of governmentguaranteed social welfare. The ruling elites have generally only accepted the institutional concept of social welfare when confronting

political crisis; when this is overcome they return to the "residual concept of social welfare" (Park 1990) by drawing on "Confucian" cultural ideologies.' This explains how social welfare became subordinated to the state's economic priorities and how the state managed to manipulate national support for its growth strategy and deflect public pressure for social welfare development. It has done so by effective use of the education system, by control of the media and through the political exclusion of labour and peasant organizations. There is no doubt that Southeast Asian policymakers in their 'Look East' policy also are very aware of Japanese and NIC historical experience in social welfare, because of the vital emphasis laid on control of agenda setting for the public debate.

a

C

SE

Cá

uj

le

In

pr

lin

ma

no

me

em

take

frai

pate

mak

and

sion

labo

tion

high

of th

class

outsid

does

of the

sion o

saving

ment

high s

than t

the cas east As policies

Hig

In

This is evident in Malaysia, where the relatively higher provisions of social welfare are related to ethnic antagonism which has shaped the role of the state, economic policies, and in particular the union movement where the level of Bumiputra (ethnic Malay) participation now accounts for more than half. In the name of Malay favouritism, the New Economic Policy implemented a series of programmes intended to extend social welfare, from small scalehousing materials grants and land development schemes to subsidizing Bumiputra business and education. But in the beginning of the period, poverty eradication swallowed the largest amount of expenditures, with some success. 13

The Philippines has one of the oldest social security systems with the widest coverage and range of products. ¹⁴ The social security programmes are of the defined benefit type, based on pay and contributory service, but they are not being implemented, because the Philippines has been under IMF and World Bank surveillance which has meant major public programmes have seen cuts.

The question of financing social security systems is of major importance to provide an understanding of public attitudes towards welfare policies. In the Philippines a serious erosion of social conditions occurred during the past three decades. Corruption, and lack of finances and state capacity to implement existing schemes were serious. In Indonesia, multilateral aid conditionalities forced the government to repay its debt in the amount of up to 50 per cent of total government expenditures. Thus, two of the most important welfare institutions received declining funding. Sjahrir asked, 'Is it fair for Indonesia, a "good boy" in World Bank/IMF terms, to receive a foreign aid cut?' Throughout 25 years of development, only around 25 per cent of the Indonesian workforce has come

mal

under the protection of the Labor Law, while two-thirds of the economically active population struggles between unemployment

1

d t

V

d

S. ok

Xn

vi-

ias

lar ay)

of

ies

ile-

ing the

ex-

vith

rity

conthe

hich

lajor

rards con-

and

emes

orced 0 per

st im-

asked,

ns, to

ment, come and underemployment.16 In Indonesia there are separate social security schemes of a corporatist kind for civil servants, military personnel, and private sector workers covering endowment insurance, pension and health care.17 In general, civil servants and military personnel, which make up slightly more than half of those covered, enjoy a much higher level of benefits than those in the private sector and state enterprises. Indonesia's reliance on foreign capital, along with the relatively small proportion of the workforce employed in the formal sector, will limit social security coverage and benefits in the foreseeable future.

The social security systems in Malaysia and Singapore are of the mandatory defined-contribution type, supplemented by other minor programmes. This is also known as the national provident fund method which requires contributions by employer as well as from employees with both record-keeping and investment functions undertaken centrally by the government statutory board. The policy-making framework for this kind of social security system 'requires a paternalistic government which is able to isolate economic decisionmaking from interest-group politics.'18

In Malaysia, out of several complementary social security schemes and institutions, it is the EPF-scheme based on individual provision which is the most important. In 1991, 45 per cent of the labour force was contributing to the EPF. Singaporeans' contribution of 40 per cent of gross wages and salaries to the CPF is the highest in the world.19 These schemes do cover a considerable part of the population, but are insufficient and create a highly segmented class structure and social polarization between those inside and those outside the provident Fund system. Furthermore, the CPF scheme does not cover foreign workers who constitute about 20 per cent of the labour force.20

High saving rates may be connected with the lack of state provision of welfare, especially in old age. The special connection between savings and welfare and the conscious rejection of state involvement in Southeast Asia is mirrored in the fact that, 'Singapore's high savings rate can be largely explained by public policies rather than by any other factors.'21 This explanation is also plausible in the case of Malaysia, contra the much celebrated myth about Southeast Asian households' high savings, which in fact have relied on policies and not on cultural characteristics.

The nexus of labour response and state regulation

During the 1960s and 1970s Left-wing forces in Southeast Asia mobilized labour in rural and urban areas against dictatorship and the intrusion of domestic and foreign capitalism. The socialist project was either crushed by US interference or failed simply as a consequense of the conflict between the Vietnamese and Chinese versions of socialism. Even if the situation in the Philippines is treated as more similar to the Latin American model of strong interference in economic policy-making from landed aristocrats (a feudal landowning class) and the business sector, the general pattern in the region has been one of dominance by the technocracy and high degree of dependency on external forces. The crushing of organized labour and the Left laid the ground for the Export Oriented Industrialization (EOI).

0

n

Fo

SI

W

ar

th

lev

Th

est

Ba

pai

wo

uni

ind

Ma

tion

120

righ

also

mer

sev_€

con

Mah

activ

Zone

I

The implementation of EOI in Southeast Asia has differed from the Korean and Taiwanese experience. In the Thai case, 'the external factors for policy reform were the inflow of international capital and the relocation of light industries into the country. The internal factors were pressure from the local business sector, liberal technocrats and foreign advisors advocating a more liberal development strategy.'22 Labour discipline and industrial peace is always a prerequisite for EOI development based on cheap labour. Disciplined labour, since the mid-1970s, resulted from political exclusion of labour which was guaranteed by the indirect intervention of the state. First, the state created a legal framework for industrial relations which encouraged weak and fragmented unionism. Another form of indirect control of labour is the establishment of institutional conditions for wage negotiation in the labour market. Wage bargaining in Thailand and Singapore have been governed through the minimum wage policy implemented under the supervision of the tripartite National Wage Committee.

In Malaysia there is no generally applicable minimum wage. However, workers in individual industries can seek the protection of a minimum wage and by 1991 less than 2 per cent of workers had done so. In Thailand and Indonesia minimum wages are relatively small proportions of average wages, and have shown no upward trend in real terms, and have lacked serious implementation. ²³

In Thailand and the Philippines, the stress on EOI led to a policy of wage restraint and attempts to promote institutional frameworks which could limit conflicts in industrial relations.²⁴ In these two

itheast Asia torship and ialist project y as a coniese versions s treated as erference in landowning e region has h degree of nized labour *istrialization*

iffered from , 'the exterional capital . The interctor, liberal iberal develice is always ıbour. Discical exclusion ntion of the dustrial relasm. Another it of institu-1arket. Wage ned through pervision of

ie protection it of workers ages are relavn no upward ntation.23 ed to a policy l frameworks

In these two

imum wage.

countries, there have been periods of repression and periods of freer organization of labour, but the development strategy has largely been built around the 'political exclusion' of labour. The same type of labour market regulation has had the effect that trade unionism in the region has been severely weak or co-opted by the state. This has been the case in Malaysia and Singapore; whereas Indonesia, Thailand and the Philippines have been characterized by more inclusionary and repressive policy regimes.

Nevertheless, the general policy pattern of labour market regulation has been tight and repressive, and perhaps with the exception of Malaysia, trade union organization has been extremely difficult or under state guidance. In some countries like Thailand and Indonesia the fight for labour welfare, that is, improvement in pay and working conditions, is a dangerous and sometimes deadly affair. For instance, killings of labour activists in Indonesia were the result of attempts to organize labour in East Java and Medan. 25

In Thailand, labour cutbacks in the textile industries, associated with the development of new managerial styles, resulted in strikes and protests by workers. According to a former director-general of the Labour Department, 'there is now an awakening among low level workers about their rights and privileges under the law... There is a rise in expectations. Chandravithun states that "only an estimated 30 per cent of companies paid the minimum wage of Baht 125 a day . . . In the textile industry workers on average were paid only Baht 4,000 a month for a 60-hour week, often in poor working conditions."'26

In Malaysia, the debate concerning existing limitations on labour union activity, particularly in the sensitive electronic components industries, erupts whenever the GSP privileges between the US and Malaysia are reviewed. From 1988, the American AFL-CIO has petitioned Washington to withdraw its GSP privilege pointing to the 120,000 Malaysian electronics workers who are being denied the right to organize into a nation-wide union. Dissident union leaders also place pressure on the government by taking the issue of government control over unions to international forums. The MTUC has several times tried to persuade the government to ratify ILO convention 87 on freedom of association, but without result. The Mahathir leadership has maintained strict containment of union activity, particularly since low-cost labour is considered to be the country's chief asset in attracting foreign investment. In Free Trade Zones, labour unions are prohibited and payment in the electronics industry is roughly one-third to one-quarter of similar wage levels in Singapore. According to Rajasekaran, executive director of the Metal Industries Employees Union, 'many companies are prepared to pay higher wages but the government asks them to keep them down.'²⁷ The result is a balkanization of unions in Malaysia and numerous small fragmented unions. The general problem of membership levels has stimulated larger unions to use incentives of small welfare schemes to members including services such as as retirement, sickness, death, and educational benefits.²⁸

f

T

p

d

fe

th

re Ia

Sei

th

spo

De

Civ

for

stu

hav

thes

unic

ing

wor

indu

not

own

cal p

patin

havin

of liv dent

TN

7

However, due to international pressure and the democratic opening, times are also changing in Southeast Asia. An embryonic demise of the legitimacy of state-sponsored and employer-dominated labour unions and the reemergence of independent, representative organizations are growing in militancy.²⁹ This is also the result of international organizations lobbying Western countries to impose trade sanctions in retaliation for the general disbanding of unions and ban on strikes. There is no doubt that labour welfare campaigns and common strategies aimed at the establishment of social security systems and other solidarity measures are increasing all over the region.³⁰

Organized labour was an important force for achieving political change in the Philippines with the election of Aquino in 1986. Since that period, however, the class coalition that has consolidated state control has not included labour organizations, nor have they been directed at a fundamental change in socio-economic structures. As a result, real incomes in the country continue to be below the poverty line and the harassment and dismissal of union officials and violations of labour standards continue to be the main courses of industrial dispute.³¹

In Indonesia, independent unionism continued to grow despite the militarization of labour relations. Conservative estimates of the official government statistics reveal that strikes increased from 19 in 1989 to 310 for the first six months of 1994, often involving large-scale factories of between 2,000 and 12,000 workers. The increasing influence of big business led to growing concern about uneven development and economic inequality. This is further exacerbated by the expansion of rentier capitalism, which is not labour-intensive. It should be noted that these developments have taken place in an economy which must accommodate newcomers to the workforce at an annual rate of 2 million workers, where only a limited number of jobs are available. 32

In Thailand, 'where unions have been able to preserve previously won gains and security through resistance to privatization, outsourcing, flexibilization, and so forth, they evoke continued coercive state controls. Thus, for example, Thai labour repression has been sustained in the state enterprises sector, where unions effectively blocked privatization efforts and provided national leadership in labour's successful struggle to force the passage of expanded social security legislation in 1990.'33 In Malaysia, the strong MTUC, with a membership of 500,000, has recently evoked moves aimed at transforming the federation into a representative and active organization. There have been strikes in the past few years that would have been previously unthinkable.

rels

the

red

em

nd m-

all

re-

n-

se

ur

a-

a-

le

d

IS

·T

1

Labour regulation in the region takes on different forms. In Indonesia, it took the form of direct military intervention. In Thailand fewer than 5 per cent of industrial workers are in unions, although the public sector is better organized. In Malaysia, labour market relations are mediated through bureaucratic unionism similar to Japanese-style enterprise unionism, combined with harsh internal security laws that have been used to incarcerate labour activists. In the Philippines weak enterprise unionism is combined with statesponsored violence against alternatives in the form of vigilante action. Despite the differing forms, they all reveal a high degree of coercive state intervention against the interests of labour.34

The aim of labour legislation has essentially been to attract foreign capital and to encourage EOI. In the case of TNCs, one study found that, since 1985, a significant number of Japanese firms have sought to undermine union organization with a range of tactics; these include sacking union leaders, forming pro-company second unions, employing temporary workers to break strikes, and matching union wage demands with their own 'counter demands' for worse conditions. While Japanese TNCs may preach co-operative industrial relations, the study notes that, 'in Thailand [they] do not practice what they are required [to] by the traditions in their own country.'35

TNCs tend to be less sensitive to social concerns as well as political pressures of national and regional authorities.³⁶ Thus, TNC workers in the region are much more exploited and inhibited from participating in labour union activities. They are effectively prevented from having autonomous workers' organizations defending their standards of living through collective action and are almost wholly dependent upon the goodwill of management. Recent data show that

the state intervened directly in slightly over one-half (51.9 per cent) of labour actions between 1968 and 1983. Workers experienced firings in 49.0 per cent of the events; detentions in 12.2 per cent; injuries in 8.2 per cent; and coerced terminations in 32.7 per cent. At least one form of repression occurred in two-thirds (67.3 per cent) of the cases.³⁷

The suppression of ASEAN trade unions for the purpose of EOI has caused the erosion of real wages. The industrial working class is small and with a restrained political potential and mobilization. It has been easy for the state and policy elites to establish domination over the labour movements. During the colonial era in Malaya, the British fostered the formation of the MTUC as an alternative to the Communist unions. The MTUC today continues to be a moderate organization, hemmed in by many restrictive laws. In Indonesia a government-sponsored labour federation replaced independent unionism, which collapsed with the crushing of the Communist Party in 1965. Unions in Thailand have traditionally been small and fragmented, and occasionally under the influence of factions in the military and the government. Only in the Philippines does the leftist labour movement represent some sort of challenge to the government, but it is still not a potent force.³⁸

The lack of bargaining power of the working class is also accentuated by uenemployment and the widespread underemployment in Thailand, Indonesia and the Philippines. Considering the sectoral distribution of production structures and labour force it is significant that none of the countries have experienced a substantial shift to agro-industrialism. The proportion of the work force in manufacturing and construction is only 13 per cent in Indonesia and the Philippines, 15 per cent in Thailand and 14.5 per cent in Malaysia. Omitting Malaysia, the share of the labour force in agriculture is more than half, revealing a low level of employment transition and mobility.

Another issue of importance has been foreign investors' interest in an environment of low production costs, including labour! What is interesting is the strategies and policies of TNCs and the push and pull factors behind social welfare.³⁹ What is argued here is that there is a convergence between the official views of the Southeast Asian elite and international corporate interests to support free trade and suppress labour costs in a unregulated environment.

Globalization of financial and capital markets is a matter of profits versus taxes and involves a punishment (for instance by increasing

the tha of be

Tw wel

radi

It is poss in Ja of la equa prese soon Sou whic.

relati

whos At the consist assuration of corporation of gov be seen

in emu
The c
future j
unrest,

equal ec

laysia t With g

increas

f (51.9 per cent) perienced firings er cent; injuries er cent. At least '.3 per cent) of

purpose of EOI al working class d mobilization. tablish dominail era in Malaya, in alternative to es to be a modws. In Indonesia ed independent the Communist ally been small ence of factions hilippines does of challenge to

ss is also accenideremployment ring the sectoral rce it is signifisubstantial shift force in manu-Indonesia and per cent in Mace in agriculture ment transition

vestors' interest ng labour! What s and the push gued here is that of the Southeast support free trade matter of profits se by increasing the risk premium and therefore borrowing costs) of those countries that deviate from conservative policy-making. Fiscal concerns are of utmost importance because social welfare expenditures have to be paid for through an increased tax burden, which would involve other standards with regard to ideology and political culture, and a radically new policy priority of the emerging NICs.

Two-tier non-welfare corporatism or militant labour welfare

It is possible to discern two scenarios. One scenario is related to a possible replication of the two-tier non-welfare corporatist approach in Japan. The second scenario is related to the increasing militancy of labour, which is a response to the growing unevenness and unequal distribution of wealth. 'Asian values', as they have been presented by the old developmental and paternalist guard, might soon be changing.

Southeast Asia might enter a period of corporatism 'without labour'. which denotes a highly policy co-ordinated system but with a relatively small organized workforce belonging to company unions whose national federations are weak and politically marginalized. At the micro level this implies a system of private welfare corporations consisting of an array of workforce training facilities as well as assurances of employment security, reinforced with an array of corporate social welfare services. Private welfare corporatism is presented as a way of showing labour's interests and achieving consensus. Thus Japan is a two-tier system combining statist 'Corporatism without labour' with enterprise 'Welfare Corporatism'. This two-tier approach also exists elsewhere in East Asia, notably in Singapore, Taiwan and South Korea. 40 However, this model might also be called 'employer paternalism', indicating a particular mode of government (indirect control/support) which paradoxically can be seen as an outcome of the official belief in laissez faire. In Malaysia the percentage of in-house unions was 54.5 per cent in 1988. With government support, this type of unionization will probably increase significantly in the near future, implicating some success in emulating their Northeastern counterparts.41

The capacity for nation-wide social pacts is closely connected to future potential political instability in the region, such as labour unrest, foreign domination of national corporate sectors, and unequal economic development exacerbated by competition for capital

investment and markets in similar products. The middle class has high expectations, particularly related to the infrastructure of cities, and is pressuring governments and the private sector to place higher priority on urban environmental improvement.⁴²

Some political leaders such as Mahathir and Lee Kuan Yew paradoxically see their countries' economic future in terms of an educated workforce. 'This obviously implies growing commitments to education, health, and social services,'43 and might well undermine the current non-welfare regime. What seems even more irreversible is an 'attitudinal shift from the dynastic to the life-cycle view of income and consumption under which accumulated savings are more likely to be spent than bequeathed.'44

This is a critical point, because it shows the paradox of embry-onic welfare state construction in Southeast Asia. It is globally unique and represents a hybrid of existing welfare state characteristics with a content close to the ideal neoliberal model. It emphasizes familialism and an aversion to public social services. Another concern is with the possible negative impact on savings. The Asian tigers' economic miracle was premised on high saving rates rather than Keynesianism: Families save for lack of adequate social security coverage. 'A genuine welfare state, it is feared, will undermine this incentive.' This view is well reflected in Karto's remarks about the priorities of the Malaysian policy elite: 'What contributions social security can make to economic development has become the priority rather than the

Although policy elites claim that social structures remain intact, they still try to reinforce a distinctive Asian culture. The situation in Singapore shows that so far the state has been able to maintain the primacy of societal or group interests over those of the individual, but affluence and widespread Western-based education and economic and social ties are likely to increase the tension between the two.⁴⁷

Furthermore, the extended family is on the decline. What is at stake is the collapse of the traditional social support networks. The situation of social security in Indonesia 'will depend essentially on the economic development of the country until employment in the formal sector can be expanded considerably – and the organizational prerequisites for comprehensive social security thereby fulfilled – traditional forms of insurance will continue to predominate.'48 However, even in Indonesia 'villages become urbanized, access to land denied, and workers are losing the informal social security

he middle class has frastructure of cities, ector to place higher

Lee Kuan Yew paraerms of an educated mitments to educavell undermine the more irreversible is fe-cycle view of ined savings are more

paradox of embryt is globally unique characteristics with phasizes familialism er concern is with n tigers' economic han Keynesianism: coverage. 'A genuincentive.' This e priorities of the security can make y rather than the

es remain intact, ire. The situation able to maintain lose of the indid education and tension between

line. What is at it networks. The it networks. The it networks in it networks in and the organ-security thereby in the predomination of the predomination of

net that had supported them in times of need. The other safety device, namely the high labour absorption capacity of the informal sector that had earlier supported industrial workers and their families is now also endangered.'49

The explosions of labour protest in Indonesia in the 1990s can be interpreted as a revolt against the idea that labour, rather than investors or management, should pay the cost of corporate globalization. 'The doctrine that prevails in international business today is that maximizing return on capital has priority over any other management responsibility. This priority, like the notion that increased industrial productivity and competitiveness must be exacted primarily from the labour force, is the result of arbitrary decisions.'50

Workers are demanding basic rights and reforms. In Indonesia, 'early stages of a shift in consciousness from passivity and resigned acceptance to a growing class consciousness... expressed in an upsurge of collective strike action that will threaten Indonesia's image as a foreign investment haven.'51 was observable from the early 1990s onwards. Indeed a militant form of independent unionism continued to grow despite the militarization of labour relations by the state. 52 Such trends played a key role in the revolution that eventually overthrew the Suharto dictatorship.

In Thailand, there is increasing evidense that because of the very low state schemes for improving the income and welfare of employee, workers initially concentrated on demands for wage increases. But this pattern has been changing. This is clear from the fact that 'major issues of labour disputes from 1987 to 1989 concerned welfare (33 per cent) wages (20 per cent) conditions of employment (18 per cent) and other issues (29 per cent).'53 In the 1980s, the renewed pressure through public demonstrations and campaigns from the Labour Congress and Trade Union Congress resulted in the promulgation of the Social Security Act of 1990.54 The first phase was implemented in 1992 and covers health insurance, maternity benefit, disability benefit and death benefit. The scheme is financed by employers, employees and the government, each paying 1.5 per cent of wages as contributions, but there is serious debate about the second phase. 55

The impact of globalization and neoliberalism in Thailand has recently demanded privatization of the energy sector, but unions are fiercely trying to halt privatization. Thamyudh Suthivicha, president of the State Enterprises Employee Association, delivered an ultimatum to the government: 'Drop EGAT's privatization... or

the union will more than double the number of protesters on Bang-kok's streets from the present 20,000 – mostly members of the Assembly of the Poor.'56 The privatization programme called for laying off nearly half of EGAT's 33,900 workers.

The tactics used by the Indonesian and Thai governments and employers remain current in other Southeast Asian countries, but the new response on the part of labour against co-optation and repression are duplicated throughout the region. In the Philippines, and thereby improve working conditions. Furthermore, the KMU and other trade unions are involved in organizing a popular front working for the improvement of social standards in the country.

Corporate anti-union efforts in Malaysia are multi-faceted, and 'there have been strikes that would have been previously unthinkable.'58 According to Jomo, 'labour's interests may be served by extending social security beyond the existing provisions for occupational disease and employment injury to cover unemployment benefits, sickness, maternity benefits, family allowances, invalidity pensions, old age pensions and survivors' pensions... However, the effective advocacy and advancement of labour's interests resetween capital and labour, which does not appear anywhere on Malaysia's political horizon for the time being.'59 Nevertheless, the Malaysian trade union movement seems to be the most docile and weak in Southeast Asia.

The rise in public protest is tied to the stages of globalization. What is rising in Southeast Asia is a double-movement against downsizing in state expenditures on public benefits and wage constraints. It is essentially the opposite of Philippine leader Fidel Ramos' message to industrialists: 'I don't want to hear talk of wages and productivity gains going hand in hand. What makes sense is that wage costs must be kept in check. Grasp this point well for it is the price of your survival and the means for enhancing our international competitive capabilities.' Flexibility is the buzzword meaning dismantling of the welfare state, even the sort of hybrid welfare state in Southeast Asia, but this issue is being contested from below by demands for democratization and social reforms.

fi

SC

st

tic

SY

lov a i poi sup culi stat tion protesters on Bangy members of the gramme called for

governments and ian countries, but t co-optation and In the Philippines, ttles against TNCs termore, the KMU ig a popular front in the country. nulti-faceted, and eviously unthink-1ay be served by visions for occur unemployment vances, invalidity ons... However, ur's interests rea social contract ear anywhere on Nevertheless, the most docile and

of globalization. ovement against s and wage conider Fidel Ramos' lk of wages and kes sense is that nt well for it is ncing our interthe buzzword e sort of hybrid being contested ocial reforms.

Southeast Asia between neoliberalism and the quest for welfare

The hitherto distinctive 'Asian values' as the place of hierarchy and social conservatism, which originally encouraged discipline, now seem to stifle innovation and new ideas. Social harmony is waning and leisure is no longer managed by paternalist social relations. Will the younger urban generation accept the privatized systems of welfare in Singapore and Malaysia?⁶¹ In the former, workers are compelled to contribute a substantial amount of their earnings to the CPF scheme which exists 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 centres, a process which undermines traditional forms of social protection. In Southeast Asia, this poses a dilemma between hypothetical welfare construction and corporate plans, and the traditional stress on familialism with its care obligations.

The approach of non-welfare by the elites is only possible to implement if an autocratic political system is in place to restrict the rights of individuals, to ban labour rights and to enforce controls of the media. The real achievement of such a system is not social security but social control.62

The debate about social and cultural values can be used for various political purposes. 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'.63 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. 64

The problem of social welfare in Southeast Asia has closely followed the neoliberal ideology of globalization which is essentially a matter of identifying needs, solving problems and creating 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 legitimation of discrimination are in fact the intellectual sources of this tradition.

This particular version of social welfare is in practice closely based on welfare theories about social philanthropy. It is difficult to discern any specific 'Asian value' in this context, except for the fact that it rests on a particular ideology which is used as a repressive tool to discipline labour's demands for social security and demands which could humanize and socialize work, living conditions and economic relations.

With the advent of the East Asia crisis following the devaluation of the Thai baht in July 1997, it is necessary to conclude by discussing the reasons for the crisis, its impact on social welfare, and its potential impact on resistance to neoliberal globalization. As to the first point, four basic problems can be identified as key factors causing the Asian financial crisis:

1 global overproduction and the fact that all the economies prefer EOI;

9

10

11

12

13

14

15

16

17 18

19

20

21 22

- 2 forced deregulation of financial and monetary controls in East Asia, encouraged by the IMF and the World Bank, in collaboration with international productive and financial capital;
- 3 the revaluation of the Yen and the devaluation of the Chinese Yuan, which caused tremendous competitive pressure on the EOI economies of Southeast Asia in particular; and
- 4 the growing influence and pressure of national business sectors on policy-makers to liberalize the economies, resulting in over borrowing by the private sector. In short, the problem may be termed 'market failures'.

To the second problem, the double pressure from the World Bank and other Western dominated organizations, and by domestic labour, on national policy elites to increase public entitlements and social welfare increased as the crisis deepened. Thirdly, the so-called financial crisis is actually more what Peter Drucker has termed a 'social crisis'. There is no doubt it is also a crisis of 'neoliberal globalization'. The re-invention of nationalist economies, protectionism, and control of foreign capital may strengthen the popular forces and the anti-Americanism throughout the region. Resistance against neoliberal globalization and foreign control over the local economies may once again become much stronger (in a Polanyian double movement); thus strengthening local democratic control over economic development.

ional

le

y based to dishe fact oressive emands ons and

iluation by disare, and n. As to 7 factors

es prefer

in East ollabora-1;

Chinese the EOI

is sectors g in over 1 may be

orld Bank tic labour, and social 1 financial cial crisis'. ition'. The control of the antineoliberal may once ment); thus elopment.

Notes

- 1 Gregory Albo, 'Competitive Austerity' and the Impasse of Capitalist Employment Policy', in Ralph Miliband and Leo Panitch (eds), Between Globalism and Nationalism, Socialist Register 1994 (Merlin Press, 1994), p. 147.
- Yupa Wongchai, 'Thailand', in John Dixon and Hyung Shik Kim (eds), Social Welfare in Asia (Croom Helm, 1985), p. 357 and p. 363.
- 3 Mukul G. Asher, Social Security in Malaysia and Singapore: Practices, Issues and Reform Directions (Institute of Strategic and International Studies (ISIS Malaysia), 1994), p. 56.
- Yupa Wongchai, op. cit., p. 378.
- Evelina A. Pangalangan, 'Philippines', in Dixon and Kim, op. cit., pp. 247.
- 6 Yupa Wongchai, op. cit., pp. 363.
- Pasuk Pongpaichit, Sungsidh Piriyarangsan and Nualnoi Treevat, 'Patterns and Processes of Social Exclusion in Thailand', in Gerry Rodgers, Charles Gore, José B. Figueiredo, Social Exclusion: Rhetoric, Reality, Responses (ILO, 1995), p. 151.
- Ibid., p. 159.
- 9 Asher, Social Security in Malaysia and Singapore, p. 33.
- 10 Amira Tyabji, 'Social Security in the Asian-Pacific Region', Asian-Pacific Economic Literature, Vol. 7, No. 1, p. 62 (1993).
- 11 Asher, Social Security in Malaysia and Singapore, p. 63.
- 12 Roger Goodman and Ito Peng, 'The East Asian Welfare States: Peripatetic Learning, Adaptive Change, and Nation-Building', in Gøsta Esping-Andersen, (ed.), Welfare States in Transition: National Adaptions in Global Economics (UNRISD and Sage, 1996), p. 198. The reference is Byung Hyun Park, 'The development of social welfare institutions in East Asia: case studies of Japan, Korea, and the People's Republic of China 1945-89', Ph.D. thesis, School of Social Work, University of Pennsylvania, 1990 (quoted in Goodman and Peng, p. 223).
- 13 Donald K. Crone, 'States, Social Elites, and Social Welfare in Southeast Asia', World Development, Vol. 21, No. 1 (1993), p. 62.
- 14 Mukul G. Asher, 'Financing Old Age in Southeast Asia: An overview', Southeast Asian Affairs 1996 (Singapore: ISEAS, 1996), pp. 80-3.
- 15 Sjahrir, 'Challenging "Business as Usual", in Jan-Paul Dirkse, Frans Husken and Mario Rutten (eds), Development and Social Welfare. Indonesia's Experiences Under the New Order (KITLV, 1993), p. 40.
- 16 Wardah Hafidz, 'Poverties Beyond Economics', in Jan-Paul Dirkse et al., op. cit., p. 220.
- 17 Asher, 'Financing old Age', pp. 74-6.
- 18 Asher Social Security in Malaysia and Singapore, pp. 5-7, and pp. 15, 21, 45, 54 and 74.
- 19 Tyabji, op. cit., p. 56.
- 20 Asher, 'Financing Old Age', pp. 79 and 89.
- 22 Sungsidh Piriyarangsan and Kanchada Poonpanick, 'Labour institutions in an export-oriented country. A case study of Thailand', in Gerry Rodgers (ed.), Workers, Institutions and Economic Growth in Asia (ILO, 1994), pp. 249-50.

- 23 Azizur Rahman Khan, 'Structural Adjustment, Labour Market, and Employment', Asian Development Review, Vol. 13, No. 2, p. 88.
- 24 Frederic C. Deyo, Beneath the Miracle: Labor Subordination in the New Asian Industrialism (University of California Press, 1989). 25 Economist, 9 July 1994, p. 60.
- 26 Cited in Jacques Bierling, 'The "Developing Powers": Thailand, Malaysia, the Philippines and Indonesia', Current Sociology, Vol. 43, No. 1 Ibid., p. 104.
- 28 Ponniah Arudsothy and Craig R. Littler, 'State Regulation and Union Fragmentation in Malaysia', in Stephen Frenkel (ed.), Organized Labor in the Asia-Pacific Region. A Comparative Study of Trade Unionism in Nine
- 29 See Rob Lambert and Donella Caspersz, 'International Labour Standards: Challenging Globalization Ideology?' The Pacific Review, Vol. 8, No. 4 (1995), pp. 572, 580 and 583.
- 30 Andrew Brown and Stephen Frenkel, 'Union Unevenness and Insecurity in Thailand', in Frenkel (ed.), op. cit., pp. 82-106.
- 31 Bierling, op. cit., pp. 104-5. See also Barry Gills et al., Low Intensity Democracy: Political Power in the New World Order (Pluto Press, 1993), who argue that democratic change has not been oriented to genuine reform in the socio-economic structure.
- 32 Jan-Paul Dirkse, Frans Husken and Mario Rutten, 'Poverty in Indonesia: Policy and Research', in Dirkse et. al., op. cit., p. 8.
- 33 See Frederic C. Deyo, 'Capital, Labor, and State in Thai Industrial Restructuring: The Impact of Global Economic Transformations', in David A. Smith and Jozsef Borocz (eds), A New World Order? Global Transformations in the Late Twentieth Century (Greenwood Press, 1995), p. 141.
- Rob Lambert, Authoritarian State Unionism in New Order Indonesia, Working Paper no. 25 (October) (Murdoch University: Asia Research Centre 1993),
- 35 Hugh Williamson, Japanese Enterprise Unions in Transnational Companies: Prospects for International Co-operation', Capital & Class, No. 45 (Autumn, 1991); and Somsak Kosaisuk, Labour Against Dictatorship, Friedrich Ebert Stiftung Labour Museum Project (Bangkok: Arom

5

53 54

55

56

57 58

59

60

61

- 36 The classic example being Nike, the American sports shoe supplier which uses about 40 factories; 20 have closed in the past five years (1992) or so and another 35 have opened. Far Eastern Economic Review, 5 November 1993. The basic reason why Nike has made substantial investment in Indonesia is because of the extremely repressive Labour regime. For details, see William Seaman, 'The Current Crisis in Indonesia. Interview with Benedict Anderson', ZMagazine December 1996.
- 37 Note that 12 countries are included in the sample. David Kowalewski, 'Asian State Repression and Strikes Against Transnational', in George A. Lopez and Michael Stoll (eds), Dependence, Development and State Repression, Contributions in Political Science, No. 209 (New York: Greenwood
- 38 Harold Crouch and James W. Morley, 'The Dynamics of Political Change',

Market, and Emp. 88. nation in the New 89).

Thailand, Malay-, Vol. 43, No. 1

ation and Union , Organized Labor Unionism in Nine

abour Standards: w, Vol. 8, No. 4

less and Insecur-

il., Low Intensity ito Press, 1993), nted to genuine

rty in Indonesia:

ai Industrial Reitions', in David Global Transfor-, 1995), p. 141. lonesia, Working :h Centre 1993).

snational Comal & Class, No. nst Dictatorship, angkok: Arom

supplier which ars (1992) or so w, 5 November investment in ime. For details, Interview with

id Kowalewski, l', in George A. md State Represrk: Greenwood

olitical Change',

in James W. Morley (ed.), Driven by Growth: Political Change in the Asia-Pacific Region (New York: M. E. Sharpe, 1993), p. 285.

39 Johannes Dragsbaek Schmidt, 'The Challenge from Southeast Asia. Social Forces between Equity and Growth', in Chris Dixon and David Drakakis-Smith (eds), Uneven Development in Southeast Asia, (Avebury: 1997).

40 Sanford M. Jacoby, 'Social Dimensions of Global Economic Integration', in Jacoby (ed.), The Workers of Nations: Industrial Relations in a Global

Economy (Oxford University Press, 1995), p. 21.

41 See the details in Ponniah Arudsothy and Craig R. Littler, 'State Regulation and Union Fragmentation in Malaysia', in Frenkel (ed.), op. cit., pp. 128-30.

- 42 Douglass Webster, 'The Urban Environment in Southeast Asia: Challenges and Opportunities', Southeast Asian Affairs 1995 (ISEAS, 1995), p.
- 43 Esping-Andersen, 'After the Golden Age? Welfare State Dilemmas in a Global Economy', in Esping-Andersen (ed.), op. cit., pp. 9 and 10. 44 Mukul G. Asher, 'Social Security Systems a Regional Challenge', Bang-
- kok Post, 18 May 1995, p. 16.

45 Esping-Andersen, 'After the Golden Age?' p. 24.

46 D. Karto, 'Social Security in Malaysia', ASEAN Economic Bulletin, Vol. 3, No. 1 (1985), quoted in Amina Tyabji, op. cit., p. 63.

47 Asher, Social Security in Malaysia and Singapore, p. 34.

- 48 M. Queisser, 'Social Security Systems in South-East Asia', International Social Security Review, Vol. 44, No. 1–2 (1991). Quoted from Amina Tyabji, op. cit., p. 63.
- 49 Hans-Dieter Evers, 'The Growth of an Industrial Labour Force and the Decline of Poverty in Indonesia', Southeast Asian Affairs (ISEAS, 1995), p. 169.

50 William Pfaff, 'Why should workers bear the brunt of globalization pain?' International Herald Tribune, 13 January 1997.

51 Rob Lambert, Authoritarian State Unionism in New Order Indonesia, Working Paper No. 25 (Murdoch University: Asia Research Centre, October 1993), p. 33.

52 Lambert, ibid.

- 53 Sunsidh Piriyarangsan and Kanchada Poonpanich, op. cit., p. 241.
- 54 Andrew Brown and Stephen Frenkel, in Frenkel (ed.), op. cit., p. 104. 55 Mukul G. Asher, 'Social Security Systems a Regional Challenge', Bangkok Post, 18 May 1995, p. 16.
- 56 Vissuta Pothong, 'Union Uses Shock Tactics to Halt Thai Power Selloff', Asia Times, 18 March 1997.
- 57 'Recolonizing Southeast Asia', Multinational Monitor, November 1993.

58 Lambert and Caspesz, op. cit., n. 29 p. 579.

59 K. S. Jomo, 'Capital, the State and Labour in Malaysia', in Juliet Schor and Jong-Il You, Capital, the State and Labour: A Global Perspective (Edward Elgar & UNU/WIDER, 1995), p. 236.

60 Quoted from Frederic Clairmont, 'The G-7 and the Spectre of Job Destruction', Third World Resurgence, No. 44 (1994), p. 22.

61 Mukul G. Asher, Social Adequacy and Equity of the Social Security Arrangements in Singapore (Times Academic Press, 1991), p. 1.

240 Social Welfare and Trade Unions in Southeast Asia

- 62 See also Johannes Dragsbaek Schmidt et al., Social Change in Southeast
- 63 Quoted in Tyabji, op. cit. n. 10, p. 66.
 64 See Mukul G. Asher, 'Financing Old Age in Singapore: Are There Lessons for the Welfare States?, Paper prepared for the Third International Research Seminar on Issues in Social Security, 11–14 May 1996, Sigtuna, Sweden, pp. 4-5.

p d

tl b N

in Is. te

Globalization and Social Change

Edited by Johannes Dragsbaek Schmidt and Jacques Hersh

Routledge Advances in International Political Economy



Also available as a printed book see title verso for ISBN details

 $\langle \rangle \rangle \times \langle \langle \rangle \rangle \times \langle \langle \rangle \rangle \times \langle \langle \rangle \rangle$

9 Globalization, democratization, and labor social welfare in Thailand¹

Johannes Dragsbaek Schmidt

In die period preceding the crisis in July 1997, Thailand had enjoyed two decades of strong economic growth though marked by growing disparities in wealth and power. In this context one important characteristic of Thai politics has been the confrontation between increasing demands for public social welfare and democratization and the hegemonic anti-entitlement ideology of the political elite which is operating in an international environment of competitive austerity.

This chapter examines the twin aspects of social welfare and democracy, and the location of the "Thai-style" developmental state in the framework of globalization. First, it situates this particular type of state in relation to export-orientation and social welfare; this is followed by a brief critique of the evolution of the concept of democracy and proposes a definition of (Western-style) democracy first and foremost as an ideology or discourse. "Democratization" it is suggested needs to be applied as an actor's concept and as a social and political process. Finally, an attempt is made to assess the recent role of labor in making social and political demands on governing elites and the reverse role of these elites' efforts to secure popular compliance. However, at the same time elites are under a constant double-pressure either to comply or act against external demands regarding *universal* standards of democracy and social welfare, and the hegemony of neoliberal globalization which limits some policy options and threatens others.

Globalization and the Southeast Asian growth model

We seemingly live in a world where *globalization* is presented by the dominant neoliberal discourse like the bullet train from Osaka to Tokyo. "If you miss it, it's gone and there is no way to catch up." According to this view, the world belongs to those who are willing to give up their loyalties to community and nation—people and places—who seek identities in the global marketplace.

It is within the framework of a changing global environment—politically, economically, as well as industrially—that *social change* occurs. The manner and processes through which social change is brought about are also highly important, as are the ramifications of social change on social classes and on other emerging

social and economic groups. Globalization results in increasing social disparities causing severe economic dislocation and social instability, and equally serious ecological imbalances. It is in this context that the relationship between globalization and social welfare becomes important, both in order to understand responses at the nation-state level and also because it creates more resistance from social groups and classes against globalization. While much has been written on globalization and on the crisis of the welfare state, the relationship between these two contemporary phenomena has not been well articulated, especially not in Southeast Asia.

The major argument in this chapter is that Southeast Asian leaders have deliberately pursued economic growth by emphasizing international competition through a calculated export-led strategy and avoided what is termed generous social welfare programs. This essentially anti-entitlement attitude has laid the groundwork for a stable social order based on the family and a specific set of shared social values. Policy-making in this regard has promoted a political culture which claims that social policy reduces productivity.

Before the crisis, the Washington Consensus hailed East Asia as a success based on the limited role of the state, low public expenditures, lax regulation, and low taxation. The market-allocated wealth automatically and efficiently trickleddown and thereby minimized social inequalities. Implicitly the objective of this neoliberal position has served to rationalize the competition between the different national socio-economic units in the world economy thereby offering transnational capital the best conditions possible. Since investment in manufactured production and services increasingly favors countries with low wages, and with minimal social security, health, safety, and environmental costs, competition becomes a zero-sum social game (Schmidt 2000).

Trade competition likewise creates immense pressures on states and firms to restructure in the West. East Asia's relative success in terms of high economic growth can be viewed as a challenge to the "advanced" countries, a challenge that is perhaps stronger and more antagonistic than was the case with real-existing socialism in the former Soviet-type economies. The reason is that it involves, among other things, traditional trade and commercial rivalry as well as clashes for global market shares and market penetration, and it raises the question of which model of capitalism has been the most efficient and replicable for other catching-up economies (Schmidt forthcoming).

This is probably why, beginning in the mid-1980s, global neoliberal discipline was induced in bureaucracies and institutions in East Asia. Globalization was also a factor in limiting social policy options by disseminating expectations and behaviors. This discourse emanating from the Washington Consensus described above plays a considerable role in the current restructuring of the East and Southeast Asian state.

Although the international ideological environment is primarily in favor of neoliberal globalization there are also pressures from the West on public authorities in the East to increase labor and other social rights. Public social welfare expenditures have seemingly become an important element in global economic competition and in hegemonizing the ideological sphere which defines the norms and values in relation to the international political economy. This is also one explanation why anti-welfare ideology has become the main motivation behind the debate about Asian *values*. When Mahathir and Lee Kuan Yew speak of the discipline and self-control that distinguish East Asia from what is considered Western social decay and breakdown they actually speak to a regional and domestic audience in order to justify authoritarianism and repression of political and social rights.

Thailand's dilemma of having to face the external and neighboring pressures of economic competition at the same time as demands for welfare are growing, is related to its type of economy. Various statistical studies show that much of Thailand's growth has been driven by a massive increase in domestic labor force participation as well as capital, critical parts of which have come from abroad. But these inputs have been difficult to sustain (Asher 1997:9). This not only implies a leveling off of high rates of growth, but also makes a transition to a higher level of social security more difficult, as such a transition could acutely impinge on the international competitiveness of the economy (Asher 1995:16). This situation has become even more complicated since the financial-cum-social crisis of July 1997, on which I will comment only briefly in the final part of this chapter.

Export-orientation and social welfare in Thailand

Thai governments and policy-makers have historically been able to interpret the past in order to justify their lack of enthusiasm for Western-type welfare states. In 1983 the prime minister expressed Thai elite thinking regarding stigmatism by noting that "culturally the Thai behavior and way of life are inactive... Lack of ambition is the big enemy of the Thai way of life... The democratic government must take some action by the establishment of the Department of Public Welfare as the tool for action" (Wongchai 1985:357 and 363). The implication of this paternalistic political culture of the elite has been a policy more inclined to individual charity and comparatively very low social expenditures.

At the beginning of the 1980s, the Thai Department of Welfare spent less than 0.5 percent of the total government budget on social benefits (Wongchai 1985:363). In the 1990s, official social security schemes (covered by the Social Security Act) became available only to formal sector workers in the civil service and those working in enterprises employing ten or more workers. Those working in the informal sector did not receive protection under the labor law, nor were they covered by social security provisions. The consequences have been extreme problems of social exclusion due to uneven development and unfair institutional arrangements, such as inadequate provision of basic social goods (Pongpaichit et al. 1995:151 and 159). Such comparatively very low expenditure on social welfare is not a coincidence but is closely related to the predominant but extremely fragile development model which is based on export and high-speed growth.

The implementation of the export-oriented industrialization (EOI) strategy in Thailand has differed in a number of ways from the experience of Korea and Taiwan as newly industrialized countries (Bernard and Ravenhill 1995; Schmidt 1997). In the Thai case, according to Piriyarangsan and Poonpanich (1994:249-50), "the external factors for policy reform were the inflow of international capital and the relocation of light industries into the country. The internal factors were pressure from the local business sector, liberal technocrats and foreign advisors advocating a more liberal development strategy." High domestic savings and investment were not significant factors.

Labor discipline and peaceful industrial labor is always a prerequisite for EOI development based on cheap labor. The disciplined labor pool in Thailand since the mid-1970s was the result of the political exclusion of labor through the indirect intervention of the state. First, the state created a legal framework for industrial relations which encouraged weak and fragmented unionism. Another form of indirect control of labor was the establishment of institutional conditions for wage negotiation in the labor market. Only in a few instances was wage bargaining in accordance with the minimum wage policy implemented under the supervision of the tripartite National Wage Committee. This also explains why, historically, labor union activity in Thailand has been weak and why organized labor has only recently been able to influence the public agenda of social welfare significantly. This situation also had serious implications for labor's bargaining leverage and the resulting wage levels.

Minimum wages represent a relatively small proportion of average wages, and have shown no upward trend in real terms, and have lacked serious implementation (Khan 1995:88). The stress on EOI led to a policy of wage restraint (in contrast to South Korea, where wages have risen as a result of labor shortages, but where the process of industrialization is much more advanced) and unsuccessful attempts to promote institutional frameworks which could limit conflicts in industrial relations (Deyo 1989). In short, the policy has been marked by restraint and a laissez-faire environment with below minimum wages, child labor and an authoritarian work environment.

Although there have been periods of repression and periods of free organization of labor in Thailand, the development strategy of the political elite and business has always marginalized labor. The same type of labor market regulation (usually tight and repressive with brief periods of looser policies) has severely weakened trade unionism and made it susceptible to cooption by the state. The key problem, no matter how one defines democracy, has been political representation. Labor and other marginalized groups (farmers) have never had an institutionalized voice in the political arena, except for a brief period between 1973 and 1976. Historical evidence shows that this is not a matter of "new politics" but is related to repression and the outlawing of alternatives to the dominant discourse of nondistributive growth, exports and elite paternalism.

The relative liberty enjoyed by Thai trade unions in the period 1973-6 was undermined by the pro-military government that followed at the end of 1976. In 1991, the National Peace-Keeping Council (NPKC) banned industrial action by prohibiting strikes and disuniting the relatively stronger public trade union movement and its much weaker counterpart in the private sector.

After the downfall of the NPKC in 1992 and the reinstallation of a civilian regime, labor cutbacks in the textile industries, associated with the development of new managerial styles, resulted in strikes and protests by workers. According to former director-general of the Labor Department Nikom Chandravithun (quoted in Bierling 1995:104), "there is now an awakening among low level workers about their rights and privileges under the law... There is a rise in expectations...only an estimated 30 percent of companies paid the minimum wage of Baht 125 a day... In the textile industry, workers on average were paid only Baht 4,000 a month for a 60-hour week, often in poor working conditions." But as Piriyarangsan and Poonpanich (1994:223) point out, the main problem is that, "although the number of wage earners increased, proletarian concentration in the Marxist sense rarely occurred in Thailand."

Labor market regulation has focused on oppression of trade union organization or alternatively coopting labor under state guidance. The fight for labor welfare, i.e. improvement in pay and working conditions, has been a dangerous and sometimes deadly affair.

By comparison, one of the contributing determinants behind the low levels of inequality in Japan and the NICs (Taiwan and South Korea) was the insignificance of foreign private capital. This deviation from the NICs and Japan on the distributional factor raises the question of whether foreign investment improves general welfare (and in particular the welfare of workers) or whether it contributes to further uneven development. How do these problems relate to Thailand? This question is closely linked to the conditions of work and labor organization.

Labor regulation and EOI: a regional perspective

In Southeast Asia working conditions are, in general, unregulated; working hours of up to 60–65 hours per week are not unusual, productivity demands are intense, and welfare conditions are dehumanizing (as seen in the widespread abuse of child labor). In Thailand it has been estimated that more than 1 million children between the ages of seven and eleven years—approximately 20 percent of the non-agricultural workforce—were employed in the urban sector (Turton 1984:35). This background partly explains the "re-emergence" in the mid–1990s of militant unionism (Hewison 1989) which in the longer term may challenge neoliberalism and globalization as embodied in the TNC policies toward labor and social welfare.

An example of TNC misconduct was a fire at a Thailand toy factory which killed 188 workers; management had locked them inside the plant and had not maintained the sprinkler system. Such bad working conditions can also be interpreted as a result of the extremely low level of unionization in Thailand and "the race to the bottom"—for instance, in 1990, there were over 700 (enterprise-based) unions with a total membership of 300,000. However after the abolition

of the state enterprise unions in 1991 only 645 unions remained with a total membership of 160,000. The enterprise union approach was adopted in the private sector by Japanese TNCs toward workers and unions in the overseas subsidiaries of these companies. But one study reveals that employment arrangements, working conditions and industrial relations practices in three Thai subsidiaries did not equate with those existing in the parent company in Japan (Williamson 1991:17-25).

In contrast to Japan, Korea, and Taiwan, all countries in ASEAN are characterized by high income inequalities. Thailand's significant economic growth has concentrated nearly 60 percent of its wealth in the hands of 20 percent of the people. Data on Singapore, Malaysia, and Thailand show that over one-third of household incomes accrue to the richest 10 percent of the population. Such skewed income distribution reflects sharp internal social and economic divisions along ethnic, regional, and class lines which several decades of rapid growth have apparently done little to remove and indeed have aggravated (Booth 1995:43). These emerging inequalities are reflected in calls for change not only from labor, but also from other societal forces.

There are several factors-the media and the NGOs, for instance-which play an important role in the construction of the hybrid welfare state in Thailand. Pressures for social reform come from a variety of other domestic forces. Women's emancipation and, in particular, the rising expectations of burgeoning labor organizations, and to some degree peasants' collective protests, all have considerable importance; but these forces have been severely restrained under so-called "exclusionary democracy" (Deyo 1995:141). Even in high profile, authoritarian Singapore, women's groups have put pressure on the government to extend social security to single mothers, but without success. The People's Action Party (PAP) government stresses that it is not labor which is the problem. Trade unions are essentially controlled by the state and have no real bargaining powers. The government's biggest worry, however, is popular culture-television, rock music, the buy-now-pay-later advertisements, conspicuous consumption, the desire for more material goods. The government sees this as eroding the traditional virtues of hard work, thrift, personal responsibility, and family ties. Together with pressures from the West on Singapore to set up a welfare state, these are the challenges which the discourse on Asian values tries to confront (Tong 1994:420 and 422). However, in other parts of East and Southeast Asia the major pressures for social welfare and democratization come from labor.

The growing importance of organized labor in South Korea and Taiwan put pressure on the governments to increase welfare standards (Kim 1995:133-61; Frenkel 1995:178-9). This was also evident in the overthrow of the Marcos regime in the Philippines through the People's Revolution leading to growing popular expectations of a more just and less unequal social system. The conjunction of this pressure with the financial crisis in 1997 created a very explosive situation.

Thailand likewise experienced several confrontations around the end of the 1980s and in the 1990s between the state, capital, and labor:

[While] unions have been able to preserve previously won gains and security through resistance to privatization, outsourcing and flexibilization, they evoke continued coercive state controls. Thus, for example, Thai labor repression has been sustained in the state enterprises sector, where unions effectively blocked privatization efforts and provided national leadership in labor's successful struggle to force the passage of expanded social security legislation in 1990.

(Deyo 1995:141)

This background suggests another explanation for the military coup d'état which occurred soon after.

The impact of neoliberal globalization in Thailand has led to increasing demands for privatization of the energy sector, but unions are fiercely trying to halt privatization. Thamyudh Suthivicha, president of the State Enterprises Employees Association, delivered an ultimatum to the government: "Drop EGAT's privatization before 18 April or the union will more than double the number of protesters on Bangkok's streets from the present 20,000—mostly members of the Assembly of the Poor" (Pothong 1997). The result of privatization would be the laying-off of workers in other sectors as well.

Labor welfare and the role of TNCs

As noted above, until 1997 labor regulation in Southeast Asia had emerged in different forms. In Indonesia, it was direct military intervention; in Thailand, less than 5 percent of industrial workers were in unions; in Malaysia, labor market relations were mediated through bureaucratic unionism similar to Japanese-style enterprise unionism, combined with harsh internal security laws that have been used to incarcerate labor activists; in the Philippines, weak enterprise unionism was combined with state-sponsored violence in the form of vigilante action against alternative radical labor organizations. Despite the differing forms, they all reveal a high degree of coercive state intervention against the interests of labor (Lambert 1993:34, fn. 9), and as mentioned, this strategy is closely related to the interests of foreign capital.

Hence, the aim of labor legislation in the region has essentially been to attract foreign capital and to develop the EOI sectors. In the case of TNC operations several studies found that, since 1985, a significant number of Japanese firms have sought to undermine union organization with a range of tactics. These include sacking union leaders, forming pro-company second unions, employing temporary workers to break strikes, and matching union wage demands with their own counter-demands which would result in worse conditions. While Japanese TNCs may preach cooperative industrial relations, Williamson (1991) and Kosaisuk (1990) found that it is evident that they actually do the opposite of what is regarded as normal labor-management relations back home in Japan.

Foreign direct investment by transnational corporations tends to be less sensitive to social concerns and to political pressures of national and regional

authorities.2 Thus, TNC workers in Southeast Asian "would-be-NICs" are more exploited and inhibited from participating in labor union activities than their few colleagues in the Northeast Asian NICs; they are effectively prevented from having autonomous workers' organizations to defend their standards of living through collective action. TNC workers are almost wholly dependent upon the goodwill of management. Data show that all the states in the region intervened directly in slightly over one-half (51.9 percent) of labor actions between 1968 and 1983. Workers were fired in 49.0 percent of the events; detained in 12.2 percent; injured in 8.2 percent; and forced out of work in 32.7 percent. At least one form of repression occurred in two-thirds (67.3 percent) of the cases.3 Most of these labor actions took place in foreign-owned factories, but despite this TNC workers still seem to be better off than workers in the domestic business sector.

Charles Gray, executive director of the AFL-CIO's Asian-American Free Labor Institute (noted for its pro-business stance), noted in 19904 that TNCs "generally insist the host government suppress the right of workers to organize and join unions, even when that right is guaranteed in the country's own constitution and laws." The organization that coordinates trade in GATT (WTO) does not have a single rule that "covers the subsidies that transnational corporations get through pressures on Third World governments to permit 19th century-type exploitation of labor." In China's Guangdong province, hailed as one of the miracles of capitalist success, when the government found that "the factory of a leading toy manufacturer was engaged in labor law violations-such as 14-hour workdays and seven-day workweeks-it approached the managers to ask them to respect the law. The managers refused, and said that if they were unable to operate the way they wanted they would close their Chinese factories and move to Thailand"-a country where there are no such unreasonable demands.

Labor and social welfare in Thailand

The suppression of trade unions in Thailand for the purpose of EOI policies has caused the erosion of real wages. The industrial working-class is small, with a restrained political potential and mobilization. It has been easy for the state and policy elites to establish domination over the labor movements. Unions in Thailand have also traditionally been small and fragmented, and occasionally have come under the influence of factions in the military and the government (Crouch and Morley 1993:285)

Thus the lack of bargaining power of the working class is also accentuated by both unemployment and widespread underemployment. Considering the sectoral distribution of production structures and the labor force it is significant that Thai society has not experienced a substantial shift to agro-industrialism. The proportion of the workforce in manufacturing and construction is below 15 percent. More than half of the total working population is in agriculture (and some claim the figure is as high as 80 percent), thus showing a much lower level of employment transition and mobility. Importantly, it shows that productivity is very low in the

rural areas, a problem associated with the fact that Thai farmers are still waiting for the implementation of land reforms.

The tactics used by the Thai government and employers remain current in other Southeast Asian countries, but the new response by labor against cooption and repression is also duplicated throughout the region.

However, due to international pressure and the present period of democratic development, there are signs that the legitimacy of state-sponsored and employer-dominated labor unions is being eroded and that independent, representative organizations are emerging within an atmosphere of growing militancy.⁵ Several international organizations such as the AAFLI, ICFTU, and ILO have been lobbying Western governments to impose trade sanctions as a protest against the widespread disbanding of unions, the ban on strikes, and other government-induced industrial government action. There is no doubt that labor welfare campaigns and common strategies aimed at the establishment of social security systems and other solidarity measures have been increasing, not only in Thailand, but all over the Southeast Asian region (Brown and Frenkel 1995: 82–106).

In Thailand, evidence shows that because the state policies have proved inadequate for improving the income and welfare of employees to catch up with inflation, workers' demands initially concentrated on wage increases. But this pattern has been changing. This is clear from the fact that "major issues of labor disputes from 1987 to 1989 concerned welfare (33 percent), wages (20 percent), conditions of employment (18 percent), and other issues (29 percent)" (Piriyarangsan and Poonpanich 1994:241). The struggle to obtain social security protection in Thailand dates back to the 1950s, but in the late 1980s renewed pressure through public demonstrations and campaigns from the Labor Congress and Trades Union Congress resulted in the promulgation of the Social Security Act of 1990 (Brown and Frenkel 1995:104). The first phase was implemented in 1992 and covers health insurance, maternity benefit, disability benefit, and death benefit. The scheme is financed by employers, employees, and the government, with each paying 1.5 percent of wages as contributions, but there is serious debate about the second phase (Asher 1995:16).

Globally, "flexibility" has become the buzzword for dismantling the welfare state, including the sort of hybrid welfare state that exists in Thailand. However, this is now being contested from below by demands for democratization and social reform. The problematic about social welfare in Thailand has closely followed the neoliberal ideology of globalization, which is essentially a matter of identifying needs, solving problems, and creating opportunities at the individual level. The causes behind the needs for support are believed to rest overwhelmingly on 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 legitimization of discrimination are in fact the intellectual sources of this tradition. This is why the

macroeconomic dogma, characterized by neoclassical and neo-institutionalist explanations, claims that high economic growth leads to significant general improvements in the living conditions and incomes of the poor. However, the Thai experience contests the validity of this assertion. Thus, despite high growth rates the reduction in poverty, though significant, has been comparatively modest. The rate of decline has not been enough to bring about any significant fall in the absolute number of the poor.

This particular Thai version of social welfare is in practice closely based on welfare theories about social philanthropy which, implicitly and sometimes explicitly, contradicts democratization and politicization from below. It is difficult to discern anything specifically Asian in this, except for the fact that this version rests on a particular ideology-authoritarian paternalism-which is used as a repressive tool to discipline labor's demands for social security and, more generally, demands which could humanize and socialize work and living conditions and economic relations.

The twin quests for democracy and social welfare: the switching pattern

The explanation as to why democracy and democratization in certain periods develop and in other periods are destroyed, demands a more open-ended debate and framework. European history has shown that democracy as well as fascism, colonialism, and imperialism have been political components of the various modernization processes. Seen in this light democracy is a rather recent phenomenon. As Carole Pateman (1996:8) has argued, "political scientists frequently present citizenship in the West as a slow, gradual incorporation of various sections of the population; on the contrary, it was as much a matter of exclusion as inclusion." In the last century or so, Japan has experienced constant economic growth, but Japanese-style capitalism does not produce or even seem to need political democracy in order to function. In other words, the periods of greatest economic growth in Japan have coincided with periods of authoritarianism, not with periods of democracy, as Western theory suggests. Is the same causality at work in Thailand? If this (Western) tautology is wrong how then is it possible to understand the Thai process of democratization?

In the general discussion of the evolution of societies in the global system, this question historically speaking was rather recently raised. Can the widespread democratization process yield similar end-products in different parts of the world which are endowed with vastly different heritages and history, or will we see the emergence of variant democratic models? Further, will democratization lead to increased social welfare?

Most conventional definitions of democracy project an ideal-type model for emulating by all states and nations, while radical theory sees democratization as a never-ending process emanating from below-that is, defined as a concept involving power relations and constellations within society. Democratization means social, political and human rights, the right to free speech, organizational

freedom (i.e. labor rights), and other popular demands directed to the state. In general, democratization—the devolution of state power from military dictators and one-party bureaucracies to civilian democrats—can be seen as a political response to a generic economic crisis, while democracy as a regime-form can be seen as part and parcel of the hegemony of neoliberalism (i.e. by the concerted effort of state bureaucrats to demilitarize, privatize, and demercantilize the state and the economy in an effort to respond to globalization and resolve outstanding economic problems and to lay the basis for economic growth) (Scaeffer 1993:170).

Instead of presenting democracy as an ideal political system that humans only imperfectly realize, the aim here is to conceptualize democracy and democratization as being repeatedly reinvented. Instead of treating the political institutions and practices as largely a product of separate national histories and cultures, this chapter has focused on how economic changes flow across national frontiers and the ways in which those in power, in different countries, influence one another. Instead of reducing democracy to well-defined routine practices and institutions such as elections and parliaments, it is actually social movements which repeatedly challenge and transform existing institutions.

Democracy carries within it not only the conflicts of the present moment but also the legacy of past waves of democratization, which have shaped what is meant by democracy. It is mirrored in any comparison of regime-forms and levels of (semi/soft/hard etc.) authoritarianism, transitions, creations of temporary political pacts, democracy, etc. Thailand, for example, exhibits quite different patterns of democracy in its mainstream definition.

Thailand has been a case of a political regime in transition. Until the mid-1970s, the regime comprised a narrow elite drawn from the army officer corps in alliance with senior bureaucrats. Virtually all other sectors were excluded from policy-making, and the regime was based on paternalism and authoritarianism. Thailand went through three major political events—in 1973, 1976, and 1992—and each was treated differently by the state. Although these are examined in detail elsewhere, the reason why Thailand and other Southeast Asian societies have switched between democracy and authoritarian regimes is essentially a social problem.

No country in Southeast Asia (except perhaps Malaysia, Singapore, and Vietnam) has a binding and well-functioning social contract as Rousseau defined it. The legitimacy of the governments and state bureaucracies in Thailand and Indonesia, and to a certain extent also in the Philippines is based on economic growth and an attempt to promote social order (Schmidt 1998:54).

Some scholars suggest that the traditions of royalty in Thailand and the Pancasila ideology in Indonesia perform a similar function. But these models are extremely fragile, because they are personalized and thereby point to a permanent state of uncertainty, which is furthermore exaggerated by heavy interference from the United States and the Washington Consensus. The United States is both a role model in a love and hate relationship, and a very important actor in internal Thai politics.

As a matter of fact, what is often forgotten in international debates about democracy is that one of the biggest obstacles to democracy in the Third World since World War II has been and still is the United States. The list of incidents where US intervention in the name of the Cold War has followed the outcome of general elections is long indeed-Guatemala, Iran/Persia, Grenada, and Chile, just to mention a few. Even so, the American democratic model and experience had little impact in Asia, apart from the Philippines. According to Samuel Huntington, American democracy has been shaped by an English heritage, empty spaces, and free land, the absence of an aristocracy, massive immigration, vertical and horizontal social mobility, minimum government, and a pervasive middleclass liberal ethos. No similar combination of factors exists anywhere in Asia (Huntington 1994:37-8). In fact, permanent democracy is rare, and instead a series of "switches in and out of democracy" has been the pattern (Johnston 1993:161). This helps to explain the historical and contemporary dilemma of Thai democracy, based on the interaction of socio-economic and political influences.

As pointed out by Johnston and as indicated in Figure 9.1 the reason for this switching pattern is related to the fact that the state has to balance its roles for promotion of accumulation and legitimization of capitalism. At point 1 in the diagram, the country concerned is a democracy. The government has to react to the expectations of the electorate which put it there and will determine its future; it does this by creating welfare and corporate state structures. These actions may stimulate inflation if expectations are met in part by the government creating money to stimulate demand in the economy; and this generates further wage demands to sustain current expectations, let alone rising ones. The government must increase its taxation levels and borrowing requirements to meet some of these demands, thereby making the country less attractive to investors, both external and local. The consequence is capital flight and a rationality crisis: there are fewer jobs to create the wealth from which to meet the rising expectations. The government cannot be too harsh in its treatment of the population because of its fears of electoral consequences. Political and civil disorder is likely, however, until eventually democracy is replaced—almost invariably by the military, probably covertly linked to one or more of the capitalist core states-in order to bring order and stability (Johnston 1993:162).

Furthermore, Johnston notes that the new government is able to encourage investment by imposing repressive policies on the local population and thus providing the stability needed to attract capital. Jobs are created and prosperity slowly grows, especially for the middle classes and to a lesser extent for those who obtain work. The welfare and corporate structures are weak, however, and the expectations of many may not be met. The government may promise a return to democracy once prosperity is restored and stability is ensured, but the growing resentment against the repressive policies may reflect an impatience with the pace of delivery, especially if the economic benefits of those policies accrue to a small number only. The government may well then face civil disorder, which is increasingly costly to police: eventually it may be forced to yield, so resulting in

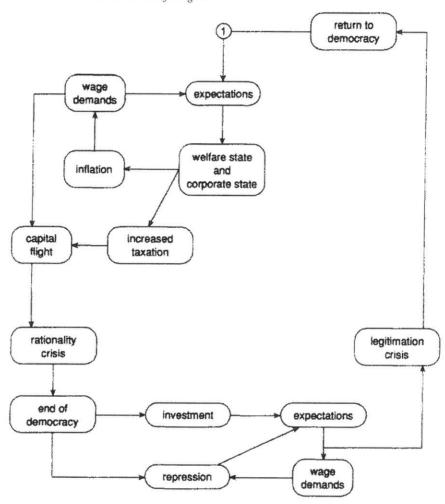


Figure 9.1 The democracy-dictatorship sequence in Third World states Source: adapted from Johnston (1993)

a reintroduction of democracy, returning the country to the starting point of the cycle (Johnston 1993:162–3). This model seems to provide a very good explanation of the directions taken in Thailand's history since the social democratic revolution in 1932.

Labor and social welfare under pressure

Apart from the Philippines, the other countries in the region have not yet had to face the problem of powerful domestic vested economic interests other than the politico-bureaucratic one, but capitalist growth is creating them.⁷ Interestingly these emerging classes have given birth to a new literature about the role of the

middle class and the nouveaux riches. The international media and mainstream American political science in particular appear to uphold these emerging actors as the real champions of democracy, equality and freedom.

These claims are increasingly being disputed by other observers who term the so-called transitionary societies of Southeast Asia, as the dictatorships of middleclass democracy.8

It is not the intention here to downplay the role of these much celebrated middle classes and nouveaux riches, but as Robison and Goodman (1996: ch. 1) have concluded, the emerging middle classes are most likely to tolerate authoritarian rule and xenophobic nationalism. Traditionally, experience from Europe and elsewhere tells us that it is not necessarily the wish of the middle classes and the petty bourgeoisie to share their social status or push for social reforms. On the contrary, democratization, social welfare, and pressures for a more egalitarian growth model, are usually the spoils of hard-fought battles from below-i.e. labor and the peasantry. This is the historical evidence from Scandinavia and, partly, Latin America; although other instances show that authoritarian regimes in collaboration with external forces in Northeast Asia created egalitarianism but without participatory politics and public welfare.

In parallel, the uprising against the Suchinda regime in 1992 was not, as is often claimed by the international media, initiated by the middle class. Rather, it was organized mostly by workers and students.9 In fact the role of workers has been deliberately downplayed by the public media, as can be seen by the treatment of the number of casualties in Thailand: "Those injured came from all levels within society, and can be sub-classified as laborers (42%), unknown (16%), businesspersons (14%), students (12%), lawyers (8%), government officials (4%), taxi drivers (3%), the police and the military (1%)."10

Whether or not political and social change is initiated within the middle class or organized from below, Thailand's reliance on EOI strategies has important implications for the rest of the world economy. The non-welfare approach not only of Thailand but also of East Asia as a whole, and the low tax levels have resulted in a number of European, North American and Japanese low-skilled jobs being exported to East Asian sites. As this chapter suggests, coercive incentives to work and save, and less welfare-state-inspired interventionism are all strategies of economic competition. Hence, the worry about losing jobs to Southeast Asia is real, but at the same time Southeast Asians worry about losing jobs to still younger rising economies where wages are even lower. Some 800,000 people are employed in Thailand's textile and clothing industries, yet in 1993 more than 1,500 workers were laid off. According to various estimates before the financial crisis, employers talked of up to 30,000 more job losses over the next couple of years, and at the beginning of 1998 various sources estimated that over 2 million workers would be laid off, largely because of heavy private sector borrowings and lax state regulation.

It must be noted, however, that wages and productivity gains, not to mention patenting licenses and development of new technology in Thailand are by no means comparable to the gains of the NICs. Furthermore, as stressed in the Bangkok Post (May 26, 1992) in the aftermath of the Black May incident when the Thai military carried out a bloody crackdown on demonstrators: "no matter which way one looks at it, Southeast Asia has entered a period of increased social and political instability." Business does not like instability.

The real threat to social welfare systems is the capacity of TNCs to plan on a global rather than a national scale, together with the hollow doctrine of free trade abroad and protectionism at home. Southeast Asia remains a challenge to the West, but one that is manageable and very easy to regulate if too much is at stake. The major menace is not to the external international environment but to Southeast Asian societies themselves. For it is from labor that the pressures come for a fairer distribution of the high economic growth experienced over the past decades, pressures that can challenge the established socio-political structures. I will end this chapter by presenting an example from Thailand, where the confrontation between organized labor and anti-democratic forces has been most significant.

Before the Chatichai regime was ousted in 1991 by the military, the prime minister and his advisors tried to include labor organizations in their policy dialogue. But this increased role was rejected by a number of employer groups and, significantly, the leading army generals from NKPC. General Suchinda led a spirited rejection of the Social Security Bill in the Senate, after it had been passed by the lower house, claiming it was a mere vote-winning strategy. In fact the role of the Thai military in this regard has historically been one of excluding labor and removing their right to strike. The reliance on a "hard" developmental state in political and cultural terms, combined with the exclusion of the majority of the population from the polity, and the open-door character of the neoliberal discourse, has had grave consequences for the so-called "Thai model."

In spring 1997, Thailand's economy came under severe attack from international currency speculators and its economy has slowed sharply. According to the *International Herald Tribune*, large-scale job losses, rising unemployment, labor protests, and social unrest could spread to other parts of Southeast Asia in a chain reaction. The workers at a September rally in Bangkok, mostly from factories and state enterprises threatened to bring "hundreds of thousands of laborers onto the streets" if the government did not bend to their demands.¹¹

Such protests and rallies by workers and farmers demanding government help in the face of economic hardship are an indication of economic dislocation, not only in Thailand but all over Southeast Asia.

Rapid growth in the region has both created and masked social tensions. "Despite enormous achievements in alleviating poverty, Southeast Asia is widely considered by its residents to be a deeply unequal place... There is widespread resentment of a perceived 'wealth gap' between the plutocratic few who have made fortunes and the disadvantaged many who have not. To some extent, the fact that everybody was getting richer eased the tensions." "The problem is that reductions in living standards of between 10 percent and 25 percent are not something that politicians can easily sell to their relatively poor populations." 12

According to the Asia Times misplaced labor policies of successive Thai

governments, combined with a poor performing economy, are guilty in a number of incidents. In December 1996, for instance, a mob of 2,000 workers set fire to the Sanyo Electric Company headquarters in Bangkok over disputed bonus payments. Three months prior to this incident, employees at the Japanese-owned Thai Suzuki Motors Company's motorcycle factory outside Bangkok had resorted to similar strong-arm tactics by keeping management officials locked inside the factory premises for several days. In recent years there has been an increase in these kinds of incidents, as well as in the number of strikes and labor agitations. 13

Since the 1970s, a tripartite body consisting of government, employer, and labor representatives has been active in settling disputes through dialogue, but many workers view this as inadequate. Workers have a deep distrust of government representatives, who are seen as being too biased in favor of management. About 20,000 cases reach the labor courts every year but judicial institutions, apart from being slow in settling pending cases, are also being criticized for the decisions they hand down.

The major problem is that to prevent politicization of workers, special laws have been (and continue to be) invoked in order to ban the association of unions with political parties. But as mentioned before, it is only recently, and occasionally, that the Thai political elite has allowed workers to organize, and only when there is political stability and economic growth.

What is important here is the fact that according to the Asia Times the problems are very well illustrated in the Chatichai government's enactment of the Social Security Bill which, as noted above, should look after basic wage, safety, insurance and employment rights of workers. Initially it was considered a significant victory for the country's labor movement, but in practice the law refers only to large industrial enterprises. In the small-scale and informal sectors no labor laws are adhered to and thousands of workers in major export industries such as garments, fisheries, toys, gems, and jewelry are working in contravention of the minimum wage and of health and safety conditions. A 1997 survey of Thai industry found that fewer than 43 percent of the Thai workforce was actually being paid the stipulated minimum wage. The obvious result is that "in the coming days, as more and more Thai companies cut costs and lay off workers to survive the economic downturn, such disputes are likely to increase. In the absence of credible intervention by state agencies, it is only the presence of organized unions capable of protecting workers' interests that will prevent the smoldering grievances of workers from igniting into actual fire."14

Demands for democracy and social welfare go hand in hand. During the current financial-cum-social structural crisis, which is in fact a crisis of global capitalism, labor is organizing and challenging the past 25 years of the Southeast Asian model of accumulation.

Concluding remarks

Southeast Asia's nascent labor movements, although weak at the moment, are a source of real concern for governments. South Korea, for example, experienced over 7,000 strikes between the summer of 1987 and late 1989 (almost ten per day). This has cast dark shadows over the dream of the "Pacific Century." In Southeast Asia governments are confronted by a whole new set of pressures—from increasing strikes, and labor and farmers' protests, to die new linkages between trade, loans, aid, foreign policy, and to other demands from abroad to enforce labor laws, improve working conditions, social welfare in general, and democratization from below.

The major issue has long been political stability, which has been top priority for policy-makers. In a political system consisting of an elite mostly recruited from the civil and military bureaucracy, the problem is political representation of the marginalized majority of the population. Their rights have effectively been sacrificed on the altar of economic growth and stability, which was deemed a necessary prerequisite for development.

Today Thailand stands in a vacuum. For a period of 25 years the country relied on a low-wage, labor-intensive EOI growth strategy which meant that the majority of the population was either repressed or denied political organization and representation. Students, labor, and farmers tried three times to set up preliminary social movements and political forms of institutions, but without success. The result has been what might be termed a contradiction between "urban semi-democracy" and "rural political decay."

The problem is whether the new (16th) constitutional reform will provide the necessary change which is needed to prepare Thailand's move to a more diversified and advanced economic and industrial system. Opposing this reform process are the entrenched interests-"the dark forces" located in the Ministry of Interior which control the provincial and rural areas, big business and the military. In favor is a more diversified group of intellectuals, students, parts of the middle class, various farmers' organizations, and not least organized labor. This is essentially "civil society." No one pretends that solving the contradictions between these two opposing camps is going to be easy; there is no simple recipe. Free media, NGOs, "the voice of the man in the street," "the general public," and "an open society" are all said to be the actors pushing for democracy. But even if one accepted these highly ideological (Western/American) concepts, in the case of Thailand, they don't hold much meaning. Political representation is the problem. According to trade union leaders and leaders of people's organizations it could solve the problem of interest-based politics which involves a real change of the old "bureaucratic policy."

The unresolved issues in the current type of development model in Thailand are linked to the contradictions between the rural and the urban (Bangkok) contexts: comprehensive land reform; a qualitative change away from the reliance on low-wage labor; the unresolved issues of social welfare. And not least, the big question of the situation: Who is going to pay the bill for the current economic crisis?

Confirmation of the vulnerability of the Southeast and Northeast Asian societies became obvious in the summer of 1997 with the financial and social crisis which impacted on the entire region. And it is more than likely that the aid package

from the International Monetary Fund, accompanied by stringent conditions, accentuated the potential conflictual tendencies in these societies. This affects the balance of power between different social actors. Not least, the Thai elite will be surprised in the coming months and years to learn that the crisis originated in the programs imposed by the IMF and World Bank, which liberalized the capital account as fully as possible in order to achieve full integration in global financial markets. Furthermore, the reason why Thailand and the rest of East and Southeast Ask have virtually no unemployment insurance, social safety nets, and very little provision for old-age pension insurance should be found in the Washingtonbased multilateral institutions and not in the domestic context. Over the past 10 to 15 years, the IMF and the World Bank have constantly cast doubt on the benefits of social welfare programs and emphasized their negative budgetary consequence.

History has a habit of overturning the most confident predictions and the only safe prognostication is that we will always continue to be surprised at least by some future developments in the international system of capitalism. An economic system which requires social polarization is possible only in societies with high levels of marginalization. The consequences do not make for harmony. As a report from a meeting of major US businessmen in 1983 disclosed, corporate leaders have begun to fear that capitalism and democracy may be incompatible in the long run. That belief has not been discussed in public by businessmen then or since. Competitive austerity has its natural limits on a global scale even in the era of neoliberalism.

Bibliography

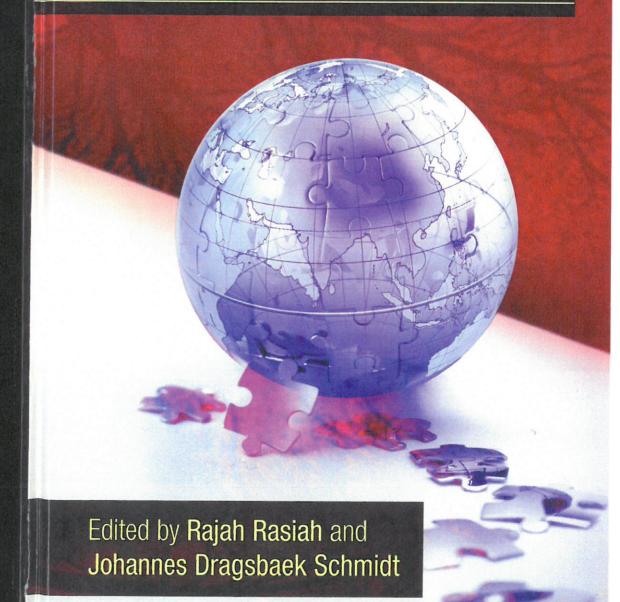
- Asher, M.G. (1995) "Social Security Systems: A Regional Challenge," Bangkok Post May
- -- (1997) "ASEAN Countries must Adjust to a Globalized Economy," Asia Times January 8.
- Bernard, M. and Ravenhill, J. (1995) "Beyond Product Cycles and Flying Geese. Regionalization, Hierarchy, and the Industrialization of East Asia," World Politics 47, January.
- Bierling, J. (1995) "The 'Developing Powers': Thailand, Malaysia, the Philippines and Indonesia," Current Sociology 43 (1).
- Booth, A. (1995) "Southeast Asian Economic Growth: Can the Momentum be Maintained?" Southeast Asian Affairs, Singapore: ISEAS.
- Brown, A and Frenkel, S. (1995) "Union Unevenness and Insecurity in Thailand," in S.Frenkel, Organized Labor in the Asia-Pacific Region, New York: ILR Press.
- Callahan, W.A (1994) "Imagining the Demos at the Demos: Mob Discourse in Thai Politics," Alternatives 19 (3).
- Chomsky, N. (1991) Deterring Democracy, London and New York: Verso.
- Cotton, J. (1991) "The Limits to Liberalization in Industrializing Asia: Three Views of the State," Pacific Affairs 64 (3).
- Crouch, H. and Morley, J.W. (1993) "The Dynamics of Political Change," in J.W. Morley (ed) Driven by Growth, Political Change in the Asia-Pacific Region, New York: M.E. Sharpe.

- Deyo, F.G. (1989) Beneath the Miracle, Labor Subordination in the New Asian Industrialism, Berkeley: University of California Press.
- --(1995) "Capital, Labor, and State in Thai Industrial Restructuring: The Impact of Global Economic Transformations," in D.A.Smith and J.Borocz (eds) A New World Order? Global Transformations in the Late Twentieth Century, Westport CT: Greenwood Press.
- Dhiravegin, L. (1992) Demi Democracy, Times Academic Press, Singapore.
- Doner, R.F. (1991) "Approaches to the Politics of Economic Growth in Southeast Asia," The Journal of Asian Studies 50 (4).
- Frenkel, S. (1995) "Exclusion in Thailand," in G.Rodgers, C.Gore, and J.B.Figueiredo, Social Exclusion: Rhetoric, Reality, Responses, Geneva: ILO.
- Gray, C. (1990a) Far Eastern Economic Review, September 13.
- --(1990b) "The Guangdong Dynamo," South, November.
- Hewison, K. (1989) Bankers and Bureaucrats. Capital and the Role of the State in Thailand, Monograph Series 34, Yale University Southeast Asian Studies, New Haven CT: Yale Center for International and Area Studies.
- Huntington, S.P. (1994) "American Democracy in Relation to Asia," in R.Bartley, Chan Heng Chee, S.P.Huntington and Shijuro Ogata, Democracy and Capitalism, Asian and American Perspectives, Singapore: ISEAS.
- Johnston, J. (1993) "The Rise and Decline of the Corporate-Welfare State: A Comparative Analysis in Global Context," in P.J. Taylor (ed.) Political Geography of the Twentieth Century, A Global Analysis, London: Belhaven Press.
- Khan, A.R. (1995) "Structural Adjustment, Labor Market, and Employment," Asian Development Review 13 (2).
- Kim, H.J. (1995) "The Korean Union Movement in Transition," in S.Frenkel (ed.) Organized Labor in the Asia-Pacific Region. New York: ILR Press.
- Kosaisuk, S. (1990) *Labour Against Dictatorship*, Friedrich Ebert Stiftung, Labour Museum Project, Bangkok: Arom Pongsangan Foundation.
- Kowalewski, D. (1989) "Asian State Repression and Strikes Against Transnationals," in G.A.Lopez and M.Stohl (eds) Dependence, Development and State Repression: Contributions in Political Science, no. 209, New York Greenwood Press.
- Lambert, R. (1993) Authoritarian State Unionism in New Order Indonesia, Working Paper no. 25 (October), Asia Research Centre, Murdoch University, Perth, Australia.
- Lambert, R. and Caspersz, D. (1995) "International Labour Standards: Challenging Globalization Ideology?" *The Pacific Review* 8 (4).
- Laothamas, A. (1992a) Business Associations and the New Political Economy of Thailand, Boulder CO: Westview Press.
- --(1992b) "The Success of Structural Adjustment in Thailand: A Political Explanation of Economic Sucess," in A.J.MacIntyre and K.Jayasuryia (eds) The Dynamics of Economic Policy Reform in South-East Asia and the South-West Pacific, Singapore: Oxford University Press.
- MacIntyre, A.J. and Jayasuryia, K. (eds) (1992) The Dynamics of Economic Policy Reform in South-East Asia and the South-West Pacific, Singapore: Oxford University Press.
- Nun, J. (1968) "Latin American Phenomenon: The Middle Class Military Coup," in J.Petras and M.Zeitlin (eds) Latin America. Reform of Revolution? New York: Fawcett
- Pateman, C. (1996) "Democracy and Democratization," *International Political Science Review* 17(1)
- Piriyarangsan, S. and Poonpanich, K. (1994) "Labour Institutions in an Export-oriented Country: A Case Study of Thailand," in G.Rodgers (ed) Workers, Institutions and Economic Growth in Asia, Geneva: ILO.

- Pongpaichit, P., Piriyarangsan, S., and Treevat, N. (1995) "Patterns and Processes of Social Exclusion in Thailand," in G.Rodgers, G.Gore, and J.B.Figueiredo, Social Exclusion: Rhetoric, Reality, Responses, Geneva: ILO.
- Pothong, V. (1997) "Union Uses Shock Tactics to Halt Thai Power Selloff," Asia Times March 18, 1997.
- Richardson, M. (1997) "Southeast Asia: Domino Effect?" International Herald Tribune September 16, 1997.
- Robison, R. and Goodman, D.S.G. (1996) The New Rich in Asia: Mobile Phones, McDonalds and Middle-class Revolution, London: Routledge.
- Scaeffer, R. (1993) "Democratic Devolutions: East Asian Democratization in Comparative Perspective," in R.A.Palat (ed.) Pacific-Asia and the Future of the World-System, Westport CT: Greenwood Press.
- Schmidt, J.D. (1993a) "Theory and Reality of Democracy and Thai Democratization," Kasarinlan: A Philippine Quarterly of Third World Studies 8 (3), Manila, Philippines.
- -(1993b) "State and Democracy in Thailand," Copenhagen Papers in East and Southeast Asian Studies 8, East Asian Institute, Copenhagen University, Tusculanum Press, Spring.
- (1996) "Paternalism and Planning in Thailand: Facilitating Growth Without Social Benefits," in M.Parnwell (ed.) Uneven Development in Thailand, Aldershot: Avebury.
- (1997) "The Challenge From Southeast Asia: Between Equity and Growth," in C.Dixon and D.Drakakis (eds) Uneven Development in Southeast Asia, London: Gower Avebury Press.
- -(1998) "The Custodian State and Social Change–Creating Growth Without Welfare," in J.D.Schmidt, J.Hersh, and N.Ford (eds) Social Change in Southeast Asia, Harlow Essex and New York: Longman.
- -(2000) "Neoliberal Globalization, Social Welfare and Trade Unionism in Southeast Asia," in B.Gills (ed.) Globalization and the Politics of Resistance, London: Macmillan; New York: St Martin's Press.
- -(forthcoming) "Global Neoliberalism and Social Welfare," in J.D.Schmidt and J.Hersh (eds) Globalization and Social Welfare in East and Southeast Asia, London: Routledge.
- Seaman, W. (1996) "The Current Crisis in Indonesia," interview with Benedict Anderson, Zmagazine, December 1996.
- Sivaraman, S. (1997) "Lack of Thai Unions Lets Labor Problems Get Out of Hand," Asia Times May 1.
- Tong, G.C. (1994) "Moral Values: The Foundation of a Vibrant State," address delivered at a National Day rally, August 21, 1994, quoted in "Social Values, Singapore Style," Current History 93 (587).
- Turton, A. (1984) "Limits of Ideological Domination and the Formation of Social Consciousness," in A.Turton and S.Tanabe (eds) History and Peasant Consciousness in South-East Asia, Osaka: National Museum of Ethnology.
- Wade, R. (1990) "Governing the Market," Economic Theory and the Role of Government in East Asian Industrialization, New Jersey: Princeton University Press.
- (1996) "The Role of the State in East Asian Capitalism: Lessons for Eastern Europe," in J.Hersh and J.D.Schmidt (eds) The Aftermath of "Real-Existing Socialism" in Eastern Europe: Between Western Europe and East Asia, London: Macmillan; New York: St. Martin's Press.
- Williamson, H. (1991) 'Japanese Enterprise Unions in Transnational Companies: Prospects for International Co-operation," Capital and Class 45, Autumn.
- Wongchai, Y. (1985) "Thailand," in J.Dixon and Hyung Shik Kim (eds) Social Welfare in Asia, London: Croom Helm.



The New Political Economy of Southeast Asia



© Rajah Rasiah and Johannes Dragsbaek Schmidt 2010

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system or transmitted in any form or by any means, electronic, mechanical or photocopying, recording, or otherwise without the prior permission of the publisher.

Published by Edward Elgar Publishing Limited The Lypiatts 15 Lansdown Road Cheltenham Glos GL50 2JA UK

Edward Elgar Publishing, Inc. William Pratt House 9 Dewey Court Northampton Massachusetts 01060 USA

A catalogue record for this book is available from the British Library

Library of Congress Control Number: 2010922146



ISBN 978 1 84980 265 9

Printed and bound by MPG Books Group, UK

heast Asia

wironment and Development,

ental Kuznets curve', World

6), 'Economic growth and znets curve and sustainable

2000), 'Sulfur dioxide emis-Environment, 34: 4413–24. /ietnam: putting industrial cy, Wageningen University,

ind V.T. Nguyen (2003), n Vietnam', in A.P.J. Mol tion and Asian Transitional igton Books, pp. 39–59. comment and Development in I University Press. iter pollution abatement in Clean Revolution: Industry, if, pp. 173–93. ondon: Royal Institute of

Development) (1987), Our Oxford University Press. Manchester: Manchester

ving Pains: Environmental Greenleaf, odernization: lessons from vt, 45(9): 1340–68.

Urban Recycling and the Princeton, NJ: Princeton

2: Development and the

7. Civil society and distributional conflicts in Southeast Asia¹

Johannes Dragsbaek Schmidt

For too long Western rights advocates have tended to equate social progress with the growth of a welfare state, measuring commitment by gross social spending

FEER, 23 June 1994: 5

There is no such thing as society, only individuals and their families.

Margaret Thatcher, 1987

With the end of the Cold War, civil society together with democracy and the market became the new global denominators for neo-liberal change and more or less a panacea for virtually all the problems in both South and North: 'In the world of ideas, civil society is hot. It is almost impossible to read an article on foreign or domestic policy without coming across some mention of the concept' (Zakaria, 1995). The sentiments of euphoria about civil society were almost omni-present in the new international ideological agenda and in most cases presented as a new type of 'anti-politics': it became part and parcel of the doublespeak intended to impose a mental and ideological colonization of the world by introducing new categories intended to present a harmonious world and depoliticize social change (Bourdieu and Wacquant, 2001: 2-5; Hersh, 2004: 3-19). Aiding in the rise in popularity of civil society was the movement from authoritarian to more democratic regime forms all over the globe. This was observable not only in the former Soviet-type socialist societies, but also in Taiwan, South Korea, Brazil and Central America, and in almost all of sub-Saharan Africa, where unions, women's organizations, student groups and other forms of social and popular activism provided the empirical foundation for stirring accounts of the role played by resurgent and often rebellious civil societies in triggering the demise of many forms of dictatorship.2 These transformations, in turn, encouraged the rise of the alluring but problematic notion that, if an invigorated civil society could force a

democratic transition, it could consolidate democracy as well (Hedman, 2001: 921–51; Encarnaci, 2003), and this gave renewed almost universal prominence to the mainstream view that democratization relying on a strong civil society is good for development and may be a causal factor in its own right.

What does it mean in Southeast Asia? Prominent scholars in the region also hold the rather linear and anti-statist view that 'democracy arises as a direct result of the strength of civil society' (Anek, 1997: 17). Although the authoritarian Suharto regime in Indonesia collapsed in conjunction with the aftermath of the financial crisis in Southeast Asia, it seems that the dictatorship in Myanmar (Burma) and one-party rule in Vietnam and Laos have been experiencing only gradual or virtually no sign of opening up access to other political forces' potential influence on decision making and the political system in general. The region is composed of a diverse mosaic of various types of regimes and might together with China and North Korea be considered one of the last strongholds of non-democratic or illiberal political systems, although with important variations between what some scholars refer to as soft authoritarianism (Singapore, Malaysia and Indonesia) and guided democracy in Thailand or American-style democracy in the Philippines. The overall benchmark of the political evolution and governance of the region in the past two or three decades shows that the situation is fluid and could change tomorrow!

Strong government vested with the responsibility of upholding collective needs, an absence of many liberal democratic practices, and the longevity of traditional and conservative political elites seem to be the norm. Singapore, for example, has been ruled by the People's Action Party since independence, and under the leadership of Lee Kuan Yew between 1959 and 1990. The ruling Golkar party of Indonesia, with the support of the military, won all the elections from 1975 until the Suharto regime was toppled in 1997. A similar longevity of power has been experienced by the United Malays National Organization (UMNO) in Malaysia, and the recruitment of the elite in Thailand has come from the same feudal and royalist networks surrounding the royal family, the Privy Council and King Bhumipol himself. The harsh anti-democratic measures performed by the Thaksin government showed signs of a renewal of autocratic policies,3 and the mob violence instigated by the middle class and civil society in alliance with the conservative elite against the poor peasants and workers illustrates in a genuine way the hollowness and hypocrisy of the mainstream view in political science that the middle class and civil society are the preconditions for democracy. In fact, Thai politics illuminate that the middle class and civil society can be precursors to autocracy and authoritarian regimes as well.

democracy as well (Hedman, ave renewed almost universal democratization relying on a and may be a causal factor in

minent scholars in the region iew that 'democracy arises as ' (Anek, 1997: 17). Although sia collapsed in conjunction Southeast Asia, it seems that ne-party rule in Vietnam and · virtually no sign of opening nfluence on decision making on is composed of a diverse ht together with China and ongholds of non-democratic nportant variations between ianism (Singapore, Malaysia Thailand or American-style chmark of the political evot two or three decades shows morrow!

sibility of upholding collecratic practices, and the lonl elites seem to be the norm. People's Action Party since e Kuan Yew between 1959 sia, with the support of the til the Suharto regime was er has been experienced by MNO) in Malaysia, and the from the same feudal and ily, the Privy Council and cratic measures performed renewal of autocratic poliiddle class and civil society st the poor peasants and wness and hypocrisy of the iddle class and civil society Thai politics illuminate recursors to autocracy and

Even if Southeast Asian societies are legally considered democratic, there has not been complete freedom for opposition parties, freedom of speech, a separation of powers, or civil and political rights.⁴ In societies where the emphasis is upon consensus and harmony, especially as an ideologically legitimizing device with reference to economic growth, it has proved possible to deem opposition subversive. Cultural values have been used as a tool to control dissent, and the role of civil society has in many cases been curtailed to marginalization or co-opted for various elite objectives. It has been widely argued by some Asian leaders that economic growth precedes democracy and civil rights, as indeed it did in the West, and these arguments became a platform for agitation against Westernization – meaning social welfare, laziness, social movements and trade unions, but interestingly to a lesser degree against right-wing illiberal agents from civil society.

The rhetoric about Asian values,5 which temporarily seemed to fade away in the aftermath of the 1997 financial crisis, is being recycled to legitimize authoritarian tendencies, for instance in relation to the so-called war on terror. The former prime minister of Malaysia, Mahathir, referred in 1996 to the debate being defensive in nature, and then actually reinforced it by declaring: 'It was right and about time that Asia too was accorded the regard and high esteem that was its due.' He went on to say 'that there was a belief among many in the West that their values and beliefs were universal; that the advocates and champions of Asian values were merely justifying oppression, dictatorship and uncivilized behaviour'.6 This was reinforced in late summer 2001 with reference to the infamous Internal Security Act (ISA), when the Malaysian police arrested ten members of the Kumpulan Mujahiddeen Malaysia (KMM). They were accused of having links to the Taliban regime in Afghanistan and to have connections in Ambon, Indonesia, where they were said to be fighting with local militants. 'The fact that six of the detainees were also members of PAS was utilized as evidence against the biggest opposition party, in an attempt to unveil its hidden and subversive political agenda."7

However, 'the people whose political and other rights are involved in this debate are not citizens of the West, but of Asian countries. The fact that individual liberty may have been championed in Western writings, and even by some Western political leaders, can scarcely compromise the claim to liberty that people in Asia may otherwise possess' (Sen, 1997; Robison, 1999; Rodan, 1999). What is important here is the strange alliance between the supporters of Asian values and conservatives in the West, which implies a convergence between the illiberal social agenda of the post-Washington consensus and the specific type of benevolent autocracy which seemingly has been reinvented as a response to 'terror'. The

re-emergence of authoritarian practices in the region might prove to have serious consequences for progressive NGOs and labour and social movements which challenge the status quo and the hegemony of traditional elites.

This contribution examines the debate about civil society in a comparative political economy perspective (Cox, 2000; Schmidt and Hersh, 2000; Underhill, 2000). Its main approach relies on two inspirations. One is the famous assertion by Karl Polanyi that markets do not evolve organically but are instead the creations of vested interests (Polanyi, 1944; Strange, 2000: 82). Another is the dictum by Karl Marx, 'that free competition is the final form of the development of productive forces, and thus of human freedom, means only that the domination of the middle class is the end of the world's history - of course a quite pleasant thought for yesterday's parvenus' (Marx, 1970 edn; cf. Gills, 2000: 52). The first section of the chapter focuses on the competing theoretical definitions and assumptions about civil society, democratization and social change; the second section explores the attempts by civil society actors to affect conflicts over resources and distribution of welfare in Southeast Asia; the third section focuses on the conflictual relationship between civil society organizations (CSOs)8 and the state and various types of social and labour market regulations, laws and contractual relationships; and finally the need for progressive social reform is emphasized as one important type of social resistance against the downsizing of the social and public sector's provision of collective goods.

LINKING CIVIL SOCIETY, DEMOCRATIZATION AND SOCIAL CHANGE

Civil society and democratization are often presented by liberal theorists as a separate positive category opposing dictatorship and protectionist markets. However, the distinction of state, market and civil society is implausible. The market is constructed and constrained by the state and the civil society. The state is a reflection of both the market and the civil society. And the civil society is defined by the state and the market. One cannot separate these three modes of expression of actors' interests, preferences, identities and wills into closed arenas in which different groups of people will make scientific statements. There are no clear demarcations between the three analytical categories. On the contrary there are clear overlaps, and it is in the borderlands between the three that conflict occurs.

However, the concepts of civil society and democratization are also

region might prove to have ad labour and social movee hegemony of traditional

civil society in a compara-Schmidt and Hersh, 2000; wo inspirations. One is the do not evolve organically s (Polanyi, 1944; Strange, c, 'that free competition is forces, and thus of human he middle class is the end nt thought for yesterday's). The first section of the definitions and assumpsocial change; the second ors to affect conflicts over ist Asia; the third section n civil society organizasocial and labour market and finally the need for important type of social nd public sector's provi-

RATIZATION

nted by liberal theorists orship and protectionist ket and civil society is rained by the state and he market and the civil te and the market. One f actors' interests, prefwhich different groups are no clear demarcathe contrary there are the three that conflict

nocratization are also

the history of social meaning in practice. It has been the history of social invention, both at a scholarly level and in practice, of the twin concepts as a continual process and of the modification over time of what civil society and democratization mean. In some cases ideas about civil society are being used for specific goals, as clearly demonstrated in the post-Cold War anti-politics device accomplished by the international financial institutions (IFIs) and the Washington consensus (Wade, 2002), but also by the launching of the anti-globalization movement, where there have been tendencies to lump together all segments of society and organizations into one category as long as they resist globalization.

Scholars differ considerably in their assessments and ideas of the forms and extent of civil society's influence in politics and economic policymaking, but it is clear that in one way or another civil society matters. They also seem to differ in their conceptualizations and theorizing about the location of civil society in broader social analysis and how to define and distinguish civil society from market-based actors and state-related institutions.

To be sure, confusion about the precise meaning of civil society is part of the allure and lore of the concept's long history (Mouzelis 1994, 1995; Fine and Rai, 1997). Over the years, philosophers as diverse as Ferguson. Tocqueville and Gramsci have appropriated the concept of civil society to articulate particular points of view about the relationship between state and society (Encarnaci, 2003). It is possible to trace its origins back to the philosophical writings of political economists like Locke and Hegel and also more contemporary scholars like Gellner and Habermas.

It has been suggested that present-day thought on civil society should be divided into four competing views: the associational school, the regime school, the neo-liberal school and the post-Marxist school (Hyden, 1997: 8–13).

The associational school's definition of civil society refers to 'that arena where manifold social movements . . . and civic organizations from all classes . . . attempt to constitute themselves in an ensemble of arrangements so that they can express themselves and advance their interests' (Stepan, 1988: 3–4). This is inspired by Tocqueville, as it indicates a growing consensus among scholars about civil society as part of democratization but also understood as a conflictual process. The definition also deviates from the classical liberal notion by either assuming or hiding that civil society is a highly politicized space occupied by actors from all social classes. 'The gulf that separates classical liberal and modern notions of civil society suggests that one must make choices in defining and deploying the term, especially when it comes to integrating it into actual policy making' (Levin, 1995).

Critics from the regime school who draw inspiration from Locke and the neo-liberal angle, however, making civil society synonymous only with moralizing civilized organizations, debate the concept by stripping it of its analytical utility. Equating civil society with high-minded groups renders the concept a theological notion, not an analytical category. Against this background the concept might potentially include the mafia, the triads and semi-fascist movements, who then would belong to civil society, since they also claim to advance citizens' values. To further complicate the picture we could also include: tribal and kinship groups, name groups (as with the Chinese), guru-oriented groups and traditional secret societies (Judge, 1997: 124-32). Take also a number of Islamic groups who reject the rule of law and support violence,9 or the movement that supported former President Estrada's return to power in Manila by trying to take over the Malacanang presidential palace, unmasking 'the dark side, the dark twin' of the much-vaunted Philippine-style 'people power' which had earlier inspired democratic political movements around the world. The protests, which some analysts say brought the Philippines to the brink of civil war, prompted Arroyo on 1 May 2001 to declare a 'state of rebellion' (Sison, 2001).

Against this background it seems that both liberal and conservative writers on civil society who see civil society as a non-political zone of social intercourse based in the free market and dominated by the bourgeoisie have failed to provide an adequate account of how poverty and the welfare state affect civic and political engagement, and their argument that economic freedom automatically produces democracy and prosperity has not been empirically verified. The experience from East and Southeast Asia suggests that a weak civil society in many cases was a precondition for the insulated developmental state and the concomitant high economic growth. The neo-liberal version of civil society, and social capital for that matter, fails to address properly either capital or the social, and it tends to set aside issues of power and conflict (Fine, 2001: 136–54). There is furthermore a tendency in the literature to romanticize civil society as the ideal on behalf of its counterpart the state, and this relationship is often presented as a zero-sum game (Guan, 2004).

The problems inherent in post-Marxist notions of civil society are not that different from the critique of the neo-liberal theorists. Many scholars have tended to see economic growth and development as a precondition for a vibrant civil society and democracy. There are significant exceptions in the writings of Gramsci, who introduced the concept of hegemony and who saw civil society as a sphere occupied by struggle for material, ideological and cultural control over all of society, including the state. Therefore passive or moral resistance becomes an inherent part of civil

inspiration from Locke and society synonymous only with concept by stripping it of its high-minded groups renders lytical category. Against this nclude the mafia, the triads belong to civil society, since

To further complicate the hip groups, name groups (as I traditional secret societies of Islamic groups who reject movement that supported n Manila by trying to take masking 'the dark side, the le 'people power' which had nts around the world. The Philippines to the brink of declare a 'state of rebellion'

h liberal and conservative non-political zone of social inated by the bourgeoisie ow poverty and the welfare I their argument that ecoacy and prosperity has not East and Southeast Asia was a precondition for the int high economic growth. al capital for that matter, al, and it tends to set aside I). There is furthermore a liety as the ideal on behalf ip is often presented as a

ns of civil society are not theorists. Many scholars ipment as a precondition are significant exceptions are concept of hegemony by struggle for material, tely, including the state. an inherent part of civil society's battle for and against capitalism. What matters is ideology, power and political and legal institutions.

It leaves us with a number of interesting conclusions. First of all, whatever the relationship between democratization and civil society it remains a contextual and empirical issue to judge its potential impact on the polity and also whether it might be able to mobilize resources that the state is unable to do. Second, it can co-exist with authoritarian state structures and also can or cannot be an impediment for the development of markets. Third, the 'global demand for democratization' emanating from progressive parts of civil society is an inescapable part of popular discourses and not a specific European phenomenon or invention exported by the West. This popular demand for citizens' rights is not only related to the state and its institutions, nor is it simply a demand for the rights to organize in trade unions or to strike, or a matter of gender equality, but part of a global discursive process directed towards a more egalitarian distribution of resources (Schmidt, 2000a: 158-77). It is: 'the organized efforts to increase control over resources and regulative institutions on the part of groups and movements of those hitherto excluded from such control' (Wolfe, 1982) and '[a] belief that democratic ideas and practices can only in the long run be protected if their hold on our political, social and economic life is deepened' (Held, 1987: 4). Fourth, the question about civil society and democratization is related not only to national citizens or civil rights, but also to the question about autonomous political representation. In the end, this cannot be reduced to a purely legalistic issue, although as will be shown below civil society is always legally sanctioned by the state, but must be put in conjunction with the legitimacy devoted to the rights of civil society organizations to engage in political activity.

Throughout history 'the present almost universal and inclusionary concept of citizens' rights was only brought about through pressure and agitation by and on behalf of those who were initially excluded or marginalized from the territorial political community' (Whitehead, 1997: 95). Therefore efforts at social 'levelling' will be met with stiff resistance, even if attempted through democratic institutions. This is the theme of one seminal work on the ebb and flow of political opposition in Southeast Asia. The authors are clear about the Left as a force which has been significant in 'giving much momentum to the development of non-state political space' (Hewison and Rodan, 1994, 1996: 236). They furthermore make the important point that civil society is not a new phenomenon but rather a historical product of political struggles mainly performed by leftist forces which were curtailed or blocked through the actions of repressive governments and military force.

The following attempt to link these observations with Jayasuriya and

Hewison's discussion about the new social policy of the post-Washington consensus deliberately 'uses the liberal language of participation and empowerment as a strategy of "anti-politics" that marginalises political contestation. Unlike earlier governance programmes identified with structural adjustment, this new governance discourse envisages a more active role for the state as a regulator for civil society seeking to promote the disciplines of the market.' With examples from the aftermath of the financial crisis in Thailand, the maintenance approach developed by the IFIs was to devote a specific and strengthened role to civil society organizations and the ideological imperative as the pre-eminent measure to ameliorate the social impacts of crisis, along with 'flexible' labour markets (Jayasuriya and Hewison, 2004: 1-2, 9). It leaves us with the important question of whether civil society is undermining the key functions and social responsibilities of the state in terms of delivering public collective goods. The fact that the IFIs' policy of dumping social services on to voluntary organizations means they should take over the work without a corresponding transfer of funding and the development of a mutual relationship with the state denotes a peculiar situation almost without any corresponding elaboration in theory (Van Rooy and Robinson, 1998: 41-2).

These issues lead to the challenge of examining the intricate links between civil society, democratization and attempts to affect existing socioeconomic policies on privatization of social sectors and deregulation of labour markets in Southeast Asia. In addition, the chapter investigates the links between labour and civil society understood as the competing interests at stake and the coalescence of social forces forming around policymaking. In the end it is a struggle over societal control over resources as they are performed by 'the locus of range of inequalities based on class, gender, ethnicity, race, and sexual preference' (Rodan, 1996: 22).

CIVIL SOCIETY AND ITS IMPACT ON SOCIO-ECONOMIC POLICY-MAKING

It is not easy to encompass all of Southeast Asia, as the region is extremely heterogeneous, in terms of its historical evolution, its geographical size (ranging from a small city-state to the fourth most populous country in the world), its historical perspective and accordingly each country's colonial legacy, and not least its concomitant composition of the relationships between the state and civil society. Likewise, economic parameters denote a very diversified picture in terms of the region having a country belonging to OECD standards to some of the poorest societies in the world.

As a result of the reliance on export orientation for several decades, the

policy of the post-Washington nguage of participation and 's" that marginalises political grammes identified with strucourse envisages a more active ty seeking to promote the disthe aftermath of the financial developed by the IFIs was to vil society organizations and it measure to ameliorate the ' labour markets (Jayasuriya th the important question of unctions and social responsilic collective goods. The fact ices on to voluntary organiork without a corresponding a mutual relationship with without any corresponding on, 1998: 41-2).

amining the intricate links empts to affect existing sociosectors and deregulation of the chapter investigates the ood as the competing interces forming around policyal control over resources as inequalities based on class, (Rodan, 1996: 22).

ON SOCIO-

a, as the region is extremely ution, its geographical size most populous country in dingly each country's colosition of the relationships onomic parameters denote naving a country belonging ieties in the world.

On for several decades, the

incorporation into the world market of capitalist countries in Southeast Asia has been extremely rapid, although the 1997 financial crisis clearly illustrated the vulnerability of heavy dependency on external markets, actors and institutions. Together with the expansion of increasingly complex social structures, the region has also experienced profound social inequalities, uneven development and poverty, which increased to such an extent that there are both external and domestic pressures on the political system and economic policy makers to take action. ¹⁰

As noted in Chapter 1, the historical role for academia, critical theory and sociology in the region did not play a decisive role in terms of the radicalization of social movements up to the 1960s, when the Left and social democratic forces finally were eliminated in tandem with the end of the Vietnam War and the influence of anti-communist laws and repression. The emergence of CSOs in the 1980s and 1990s should be understood in light of the end of the Cold War and the de-radicalization of the Left. Subsequently civil society in non-socialist Southeast Asia is a product of and a response to the decline of the old Left and the student movement and the dissolution of 'real-existing socialism'. This way, civil society should be seen as filling the gap where weak, repressed and co-opted social movements and trade unions have been unable to gain major victories in terms of influencing the policy-making process or gaining from distributional conflicts. This highlights the necessity of focusing on distributional issues and the links between formal unionism and labour activism on the one hand and CSOs on the other. Conflict and control over resources, not only environmental, but also agrarian change and land ownership, are linked to injustice and political and human rights, which are also closely related to democratization and recently the so-called war on terror. This leads to an examination of how identity politics, ideology, ethnicity and gender-related issues shape the new emerging NGOs and other movements and class representation in civil society in the Southeast Asian region.

That there is a close relationship between the role of academia, intellectuals and the radicalization of students, and the organization of civil society makes it necessary to do a brief historical detour to explain the views of the scholarly community and critical studies on social change and civil society. The middle class, especially its intellectual and educated strata, has privileged access to the institutional bases of civil society and mobilization of popular forces in democratization, which makes it necessary to understand their role (Hirsch and Warren, 1998: 19; Hutchison and Brown, 2001: 13).

In his seminal work on the role of sociology understood as the description, analysis and understanding of social relations, King notes that, compared to that of other regions of the world, sociology in Southeast

Asia has not in historical perspective been particularly extensive or distinguished (King, 1996: 148). Also Taylor and Turton note that the region is of utmost importance and is socially complex, yet local contributions have lacked in their broader horizon and explanations (Taylor and Turton, 1988).

Although the reasons might be pretty straightforward, as King mentions, war and conflict in Indo-China and Myanmar have limited access for foreign scholars, and critical studies were almost non-existent until recently, when slowly it has become possible to gather data and do field work and collect empirical information. But also, in capitalist Southeast Asian countries, we had to wait until a few decades ago before critical commentary entered the agenda (Higgott and Robison, 1985); indeed radicalism and critical thinking only took shape in the aftermath of communism at the end of the 1970s and beginning of the 1980s (Anderson, 1993).

As one of the mavericks of Southeast Asian studies noted in 1995, 'It is a curious phenomenon, by no means limited to Southeast Asia, that as a system becomes successful and entrenched it also becomes more subject to question' (McVey, 1995: 7). This was exactly what happened as the situation changed considerably in the 1970s and 1980s when there was a virtual explosion in the expansion and diversification of civil society, and also the academic community became vigorous and engaged in terms of taking the initiative and supporting the rise of new social movements and NGOs.

They are almost always based on educated and very often on university-connected cadres. These NGOs have generally aimed at establishing or supporting moral communities whose boundaries do not mirror those of the state apparatus, which is seen as a source of repression rather than the font of legitimacy. At one level, this is part of a transnational movement away from faith in the state, which is no longer seen as willing or able to safeguard basic social and economic concerns (as well of course, as a loss of faith in political parties as a source of remedy). At another level, the emergence of NGOs is a response to the failure of Southeast Asian states to dominate the vast changes over which they preside, and in particular to adjust to the rapid expansion and changing priorities of the middle classes. The current appreciation of the virtues of private over public ownership reflects the same attitude, however different its social sympathies may be.

McVey, 1995: 37

Especially after the financial crisis, there are clear tendencies that social movements and NGOs have attempted to re-create an independent political space outside the reach of the state entities as an attempt to gain autonomy and create new alliances among social actors, with the sole purpose of confronting the elite-based political and economic systems. In connection to this it is important to stress that the old Left did have a relatively strong

particularly extensive or distin-1 Turton note that the region is ex, yet local contributions have anations (Taylor and Turton,

straightforward, as King men-Myanmar have limited access vere almost non-existent until ble to gather data and do field ut also, in capitalist Southeast ecades ago before critical comcobison, 1985); indeed radicalthe aftermath of communism 1980s (Anderson, 1993).

an studies noted in 1995, 'It is d to Southeast Asia, that as a t also becomes more subject to y what happened as the situa-1980s when there was a virtual on of civil society, and also the engaged in terms of taking the ial movements and NGOs.

l and very often on universityly aimed at establishing or supies do not mirror those of the epression rather than the font of isnational movement away from villing or able to safeguard basic rse, as a loss of faith in political vel, the emergence of NGOs is a tes to dominate the vast changes djust to the rapid expansion and urrent appreciation of the virtues me attitude, however different its

McVey, 1995: 37

e clear tendencies that social create an independent political as an attempt to gain autonous, with the sole purpose of comic systems. In connection that have a relatively strong

intellectual base among students and scholars, and did receive moral and ideological support, and in many cases they even participated in the armed struggle, but there was a lack of pertinent and critical scholarship on a larger scale.

One of the implications of this discussion is that 'the historical evidence contradicts the assumption that the development of civil society in capitalist societies is a progressive and incremental outcome of economic growth. Rather, civil society has ebbed and flowed in the region throughout this century' (Hewison and Rodan, 1996: 253). A similar proposition is raised by Deyo in his attempts to examine the role of working-class organizations in historical perspective. Labour influence on economic politics, at least in Thailand, was more important up to new political reforms and less influential in the institutionalization phase (Schmidt, 1996: 63–81; Deyo, 1997, 2000).

That there are links between trade unions and civil society illustrates the point made above about the blurring of lines between state, market and society. There are incidences where labour in conjunction with CSOs, even under authoritarian regimes, has been able to influence policy-making and implementation, 'in many cases through community-based political mobilization only loosely linked to trade unionism. Labour's oppositional potential became especially evident during interludes of political crisis and government transition' (Deyo, 1997: 207–8).

Although they share a sceptical view of civil society, Hutchison and Brown (2001) do ask the potent question: 'What effects does the NGO involvement in the labour arena have on workers' capacities to selforganise in the region?'11 The answer varies from country to country, but in Indonesia NGOs can act outside the legal constraints applied to trade unions through legal advice, training and funding. What is of interest, however, is the involvement of international NGOs, social movements and trade unions, which in a number of cases have had a determining impact on issues related to labour in Southeast Asia. In the Philippines the KMU social movement unionism has made attempts to articulate commitment beyond narrow workers' interests and devote attention toward social change at the societal level. This has been done through alliances with other sectors of society and international solidarity networks and touched upon a whole series of issues, from campaigning against US bases to resistance against the World Bank and the IMF conditionalities on Filipino economic policy-making, and strikes against the accompanying privatization and deregulation measures. It is safe to say that, 'while not all NGOs are politically radical, in Southeast Asia, many have experienced a degree of radicalization' (Hewison and Rodan, 1996: 256).

In the years after the financial crisis there are several examples of

collaboration between labour and popular sector groups in Thailand. In the private sector, blue-collar workers have been able to obtain agreements with the Ministry of Labour and Social Welfare for redundant workers and improved severance pay legislation under the Labour Protection Act. Accordingly, as the consequences of the crisis unfolded, NGOs and academics have played an important role in agitating for improved health and safety regulations, especially for female workers. 'In part too, academics and NGOs have helped to consolidate a more unified opposition to reforms, denationalization, and austerity. A case in point was the United Front to Return Privatization to the People to evoke a referendum on the Enterprise Corporations Act' (Deyo, 2000: 6). There are also many examples of successful campaigns, at least indirectly, with external partners such as the ILO and INGOs, but in other cases there have been major disagreements on political vision and interests, for instance with regard to the issue of migrant labour where the NGOs traditionally uphold a supportive role while trade unions tend to see migrants as threats to wages and jobs.

In this way, there is a tendency showing that the political influence of labour in the region has been and is still dependent on cross-sectional support in civil society. For instance, in Thailand it was primarily community activists who lobbied for improved health and safety regulations at the workplace after the tragic fire at the Khader factory in 1995 where 188 workers lost their lives (Brown, 2001: 132–3). One explanation for this is the weak level of labour organization and that civil society is able to get access to the media or collaborate with foreign NGOs and thereby create pressure on the government while trade unions are constrained by strict laws and regulations.

In-house unionism in Malaysia, strongly encouraged by the Malay government, has not led to democratization of labour legislation, but nevertheless in some cases workers in firms with in-house unions have enjoyed better work conditions than workers organized in national unions (Rasiah, 2001: 95, 104). The most important aspect of the popular sectors' interest in labour issues has been attempts to provide protection for migrant labour. There have been joint campaigns between the MTUC and several NGOs for a minimum wage, but as with the Thai situation there are significant disagreements as well. There are instances where the trade unions have argued against the government's policy of keeping the door open for migrants, who number approximately one million mainly Indonesian workers, while NGOs are more supportive.

After years of human rights abuses and widespread corruption during the time of the Suharto government, Indonesian unions are now playing a more active role. A diverse number of 67 independent national unions and NGOs across Indonesia launched a campaign to promote the ILO lar sector groups in Thailand. In ve been able to obtain agreements Welfare for redundant workers 1 under the Labour Protection f the crisis unfolded. NGOs and in agitating for improved health le workers. 'In part too, academte a more unified opposition to . A case in point was the United ole to evoke a referendum on the 0: 6). There are also many examdirectly, with external partners cases there have been major disas, for instance with regard to the raditionally uphold a supportive its as threats to wages and jobs. ig that the political influence of Il dependent on cross-sectional Thailand it was primarily comed health and safety regulations e Khader factory in 1995 where 132-3). One explanation for this id that civil society is able to get reign NGOs and thereby create mions are constrained by strict

gly encouraged by the Malay tion of labour legislation, but ms with in-house unions have orkers organized in national mportant aspect of the popular attempts to provide protection campaigns between the MTUC but as with the Thai situation. There are instances where the rnment's policy of keeping the roximately one million mainly supportive.

widespread corruption during nesian unions are now playing 7 independent national unions ampaign to promote the ILO Declaration on Fundamental Principles and Rights at Work. At the national level, the trade union agenda has been dominated by the issue of law reform. More important than legislation is the ability of workers and their organizations to ensure that legislation is enforced. This is in a country where the 1997 GNP contracted by 50 per cent and where all sorts of communal violence erupted in the aftermath of the crisis. About 100 million people were scaled back into third world level poverty after being drawn out of it during 30 years of growth. Furthermore the democratic transitions have been controlled by the middle class and elite, opening space for the collaboration and influence of civil society and the labour

The instances of full trade union rights have yet to be realized, as most countries have not yet ratified the core conventions of the ILO. In the guise of so-called labour market flexibility, the security of the livelihood of workers is being threatened through contractualization, sub-contracting, informalization and other innovations in working arrangements, such as work sharing, individualized production quota and incentives systems, and rotating contracts. Of all Southeast Asia, only the Philippines, Myanmar and Indonesia ratified ILO Convention No. 87, which respects the right to self-organization. ILO Convention No. 98, which provides for the right to collective bargaining, was ratified only by the Philippines, Indonesia, Malaysia and Singapore. Even as these ILO conventions are ratified, the labour legislation is inadequate and in most cases circumvented to promote the interest of employers and the governments as well.

The role of civil society in terms of influencing social issues has, as illustrated above, in many cases led to increased social control. Labour and independent trade unions' attempts to increase the proportion of collective goods for the benefit of workers and the poor have been met with outright suspicion at best, but worse they have also led to repression or more sophisticated types of inclusion. The situation in 2009 is not very different from that of the mid-1990s, when: 'The institutionalized incorporation of labour into the structures of the state is now well advanced throughout the region, and the existence of independent labour organizations is everywhere threatened' (Hewison and Rodan, 1996: 255). Not only is the weak collective bargaining strength of the labour movements a consequence of political restraint, but these controls are 'natural' requirements of the heavy reliance on export orientation (EOI) and the neo-liberal downsizing of the public sector all over the region.

Labour has had some success in campaigning against economic liberalization and privatization, especially at the beginning of the 1980s in Thailand and the Philippines, although the latter case compares more with Latin America, where developmental sequencing resulted in a shift

from corporatism to non-unionized labour markets. The 1997 financial crisis also acted as a catalyst for renewed attempts to increase social insurance programmes and other benefits for workers and the poor. However, social coverage in the region is still well below the level predicted by the region's better-off countries' GDP per capita, urbanization rate and development of the formal sector. Unemployment insurance is virtually absent (Cornia, 2001: 3). The only country which differs from this is Malaysia, where social coverage is broader and more diversified compared to the other countries, but this is not because of pressures from trade unions and NGOs but rather part of UMNO's strategy.

The reasons are well known. The race-to-the-bottom thesis indicates that global competition and especially competition from low-wage countries in China, Cambodia and Vietnam, together with the new social policy of the IFIs, led to the introduction of flexible labour markets, but without government investment in collective goods like training, R&D, physical infrastructure and social insurance. Lack of effective government support for minimal labour standards, adequate wages and benefits and fair employment practices encourages companies to compete through labour-cost reduction and union avoidance. Static flexibility ensures the existence of a floating workforce, and labour market deregulation has in this way become a more effective policy than direct repression to avoid labour unrest and grievances regarding social welfare benefits from the public sphere.

Now to turn briefly to the role of advocacy groups, it is probably not a coincidence that, until the September 11, 2001 incident, US development aid had gone primarily to this sector. USAID's main focus has been on advocacy NGOs, less on other parts of civil society, such as religious organizations, labour unions, social and cultural groups, associations based on identity (such as clan or ethnic associations), or service delivery NGOs. Perhaps most insightful is USAID's uncritical romance with the 'benevolent Tocquevillean vision' of civil society as an idealized, inordinately American perspective that is not widely shared even in other Western democracies: a civil society characterized by 'the earnest articulation of interests by legions of well-mannered activists who play by the rules, settle conflicts peacefully, and do not break any windows' (Carothers, 1999; cf. Baron, 2002).

This kind of 'transnational benevolence' is where NGOs advocate 'greater public accountability and transparency in government who seek to eradicate official corruption and other obstacles to a modern, efficient capitalist economy' (Rodan, 1996: 7). Even business can benefit from the existence of advocacy groups, since it at least indirectly legitimizes their entry into politics. 'The structurally rooted elimination of

narkets. The 1997 financial apts to increase social insurers and the poor. However, v the level predicted by the irbanization rate and develous and its virtually absent fers from this is Malaysia, iversified compared to the ures from trade unions and

he-bottom thesis indicates ition from low-wage counether with the new social exible labour markets, but goods like training, R&D, ck of effective government te wages and benefits and nies to compete through tatic flexibility ensures the narket deregulation has in direct repression to avoid welfare benefits from the

groups, it is probably not 01 incident, US develop-JSAID's main focus has of civil society, such as nd cultural groups, associassociations), or service AID's uncritical romance civil society as an ideal-not widely shared even in acterized by 'the earnest nered activists who play not break any windows'

where NGOs advocate cy in government who obstacles to a modern, ven business can benefit at least indirectly legitiy rooted elimination of labour from democratic politics under regimes of "exclusionary democracy" has enhanced the usefulness to business of parliamentary institutions, thus creating a critical political base for those institutions' (Deyo, 1997; 221).

On the other hand, the environmental NGOs in Southeast Asia have been greatly strengthened and have been able to gain major victories in a number of important cases (Mitchell, 1998: 84). Together with rapid industrialization, competition for the rural resource base and the decline in agrarian unrest, the region has opened up spaces for political activity and expression among the 'hitherto excluded' (Turton, 1987). During the past few decades, environmentally inspired NGOs and people's organizations in Thailand have been active in political movements, were a major force together with workers in the opposition to the Suchinda military junta in 1992 (Amara and Nitaya, 1997: 173; Schmidt, 2000a: 158–77) and formed the backbone in the initial phases of Thaksin's successful Thai Rak Thai movement and its populist support for the rural masses. Institutional bases of a transnational environmentalism have multiplied in the region and in Indonesia, Thailand, Malaysia and the Philippines they have mushroomed and diversified in character.

The anti-large-dam movements in Indonesia and Thailand have conducted fierce resistance together with national and transnational NGOs and local inhabitants in Kedungombo against the dams built or supposed to be constructed in the Mekong river delta. Resistance has been rooted in the soil of material struggles over the means of livelihood (Hirsch and Warren, 1998).

NGOs along ethnic and religious lines have also emerged. As described in Hirsch and Warren (1998), examples are legion all over the region, where loggers or the state in the name of nation-building threatens the livelihoods of indigenous people. The Dayak forest-dwellers in Sarawak and in Mindanao, the Philippines are cases in point, where the internationalization of civil societies has blossomed with INGOs' direct intervention and collaboration with indigenous groups. This has also happened in Laos and Vietnam, where it is the impact of INGOs that has stimulated debate and public discourse over various contentious issues. In the Philippines, basic Christian community movements seek to establish a self-sustaining economy based on local agriculture and supported by local industry, and in Thailand Buddhist-based movements have established CSOs working for self-reliance and self-sufficiency and have in some cases had a direct influence on Thai politics.

A final aspect concerns the diasporic Chinese communities in Thailand, the Philippines, Malaysia and Indonesia. They have established Rotary and Lions clubs which are almost exclusively ethnic Chinese. Together

with clan associations they exert a tremendous influence on economic policy-making, and in some cases they have determined the outcome of national elections (Callahan, 2003: 502–03, 506).

The ideological underpinnings of broadening involvement range from notions of social justice to various middle-class-based movements, and in some cases, especially in Thailand, Indonesia and the Philippines religious symbols and representations serve as a focal point not only for environmental NGOs but also for ethnic and religious CSOs.

STRUCTURE OF THE LEGAL FRAMEWORK

As suggested in the previous sections, governments have traditionally exerted strong legal controls over the establishment and oversight of NGOs in the region. Statist law is still the dominant mode of control and management of civil society. Managerial and regulated rules mean that actors in civil society are not autonomous but are both in and out of the state, 'and therefore, it may be said that the state manages civil society. The key to understanding the emergence of this managerial civil society is seen in the vertical linkages between state and other civil actors' (Jayasuriya, 1999: 18). With the important exception of the Philippines, the state has been able to exclude those who are considered unacceptable, but, as illustrated above, a new type of socio-economic regulation has emerged where the state virtually delegates power and competence to NGOs and thus produces 'an organizational hybrid of state and civil society' (White, 1996; cf. Jayasuriya, 1999: 18).

East and Southeast Asian regimes have been characterized by having 'their qualities of governance in common irrespective of motley constitutional characteristics. Whatever regime title, whatever the legal structures, whatever the voting arrangements if any, whatever citizen rights might be formally laid down, all have in practice functioned as exercises in "top down consensus" by persuasion and/or imposition' (Jones, 1993: 203). In practice it means that the question about either co-optation or exclusion of CSOs by governments cannot be overestimated either historically or in the present period. In comparison, and in parallel with basically the same reasons, this is illustrated by the low level of organized labour unions, which have been either excluded from policy-making by the state, as in Malaysia, Indonesia and Thailand, or incorporated into the state and party realm, as in Singapore, Vietnam, Laos, Cambodia and Myanmar (Frenkel, 1993: 310-20). The situation in the Philippines differs from that of the rest of the region in the sense that legislation has been more liberal, especially after the ousting of the Marcos regime, and there has been more

dous influence on economic determined the outcome of 06).

ing involvement range from iss-based movements, and in and the Philippines religious point not only for environs CSOs.

AMEWORK

rnments have traditionally plishment and oversight of ninant mode of control and regulated rules mean that are both in and out of the e manages civil society. The nagerial civil society is seen er civil actors' (Jayasuriya, e Philippines, the state has unacceptable, but, as illusulation has emerged where extence to NGOs and thus civil society' (White, 1996;

n characterized by having pective of motley constituatever the legal structures, tever citizen rights might ioned as exercises in "top on' (Jones, 1993: 203). In co-optation or exclusion ed either historically or in el with basically the same organized labour unions, aking by the state, as in rated into the state and Cambodia and Myanmar lippines differs from that on has been more liberal, and there has been more

political space for autonomous action and organization (Hutchison, 2001: 71–89).

The legal and fiscal environment in which labour and civil society operate varies greatly between countries in the region. In recent years, the governments of the Philippines and Thailand have moved toward creating a more supportive or, in the latter case, inclusionary environment. This means that, in the Philippines, CSOs in some instances have been able to influence public policy, partner with government in the implementation of development programmes and design a system for the self-regulation of the sector. CSOs in Indonesia, Malaysia and Singapore, in comparison, have been subject to close supervision and guidance by the state. This has limited the scope of their actions (Winder, 1998), but changed in Indonesia after the 1997 crisis, when CSOs virtually exploded and became more politicized. The military regime in Myanmar crushed the re-emergence of civil society in March 1988, when a spontaneous protest against perceived injustice erupted into a popular upsurge against authoritarianism during the next four months. The ban on independent unions and political organizations was breached, and this was followed by a plethora of student unions, trade unions, associations, and class and mass organizations (Than, 1997: 185). It ended in September 1997 with a military coup and a return to repression and later on the brutal clampdown on the Buddhist monk-led uprising in Rangoon in 2007.

Today there are more than 500 NGOs in Cambodia, including six major human rights NGOs. They are responsible for dispersing more than 50 per cent of technical assistance from external donors and have in many cases taken on quasi-government functions. It illustrates that the regional borderline between what are state and public sector responsibilities and what is the prerogative of private institutions is at best blurred.

The weakness of CSOs in Laos and Vietnam is a function less of state repression and more because of the events that have enveloped the historical trajectories of these countries. The national project for consolidating society is now focused on rebuilding the polity and economy after years of war and violence. The state rebuilding policies in these countries have led to the adoption of reformist policies as well as the emerging important role of external donors. In Vietnam, civil society is re-emerging and, while the state has attempted to limit its growth, there is evidence that it is not very successful. In Laos, there are strong community structures but no legal framework that enables the registration of CSOs.

In Myanmar and Laos, INGOs are collaborating with local development CSOs in poverty alleviation programmes aimed at increasing food production and improving health and education. These transnational organizations are also involved in strengthening the capacity of local organizations and micro-credit projects. No legislation exists, and the relationship between the NGOs, the development CSOs and the state is unclear.

This is further exacerbated, because the majority of CSOs in the region rely on external funding for their activities. The former prime minister in Thailand, Thaksin, for instance, tried to discourage foreign donors from funding civil society (*The Nation*, 10 May 2002). This move was reportedly blocked by the Ministry of Foreign Affairs officials, and in the end the government did not attempt to dissuade foreign donors. Amnesty International was concerned that these government statements about NGOs could be construed as veiled threats against their legitimate peaceful activities.

On the other hand, as this chapter has suggested, trends towards lessening of controls are occurring at least superficially, although occasionally CSOs are accused of fifth-column activities, sometimes with reference to their links with transnational forces, which in many cases are determining their activities. There are very large numbers of CSOs in the Philippines, Thailand and especially Indonesia, which lost their funding from US and Australian donors, who shifted aid to terror-related activities overnight and to funding of conflict prevention, human security projects and the like.

Under section 88 of the Corporation Code of the Philippines, non-stock (not-for-profit) corporations may be formed. Although a plethora of informal organizations exist, they do not have full legal status. A not-for-profit corporation is the only type of legal entity permitted as a CSO in the Philippines.

Much of the legal framework for CSOs in Vietnam is in regulations or administrative practice and not in laws. The 1957 Law on Association and the later Civil Code (1996) regulate the sector with scant detail. The Civil Code recognizes three types of entities: social and socio-professional organizations; social and charitable funds; and other organizations. In the main, these are closely connected with the Party or with mass organizations, such as the Vietnam Women's Association.

In Thailand, the National Police Office Bureau has responsibility for establishment and oversight of associations, and the Ministry of the Interior has responsibility for foundations under the Civil and Commercial Code established in 1992. One ministry, the Cultural Commission, oversees and approves the substantive activities of CSOs, and another agency, the Ministry of the Interior or the National Police Office Bureau, regulates all other aspects of their activity. At the beginning of 2002, Thai NGOs tried to work with the Thaksin government to devise a new and more appropriate set of regulations for the sector, but

lo legislation exists, and the pment CSOs and the state is

ajority of CSOs in the region The former prime minister in courage foreign donors from 002). This move was reportfairs officials, and in the end de foreign donors. Amnesty vernment statements about gainst their legitimate peace-

gested, trends towards lessencially, although occasionally sometimes with reference to many cases are determining of CSOs in the Philippines, t their funding from US and -related activities overnight in security projects and the

of the Philippines, non-stock d. Although a plethora of full legal status. A not-forty permitted as a CSO in the

Vietnam is in regulations or 1957 Law on Association ector with scant detail. The ocial and socio-professional lother organizations. In the rty or with mass organizaon.

Bureau has responsibilciations, and the Ministry tions under the Civil and ne ministry, the Cultural tantive activities of CSOs, rior or the National Police heir activity. At the beginthe Thaksin government to ulations for the sector, but after various attempts Thai civil society is still as of 2009 under a double pressure from both the government and right-wing forces within civil society itself. The paradox seems to be that conservative and even anti-democratic forces within civil society have been successful in pressurizing various governments to step down and create more space for unelected forces in Thai politics.

Throughout the region, governments retain the right to dissolve CSOs and foundations for vague and politically determined reasons, such as 'operating against the interests of the state' (Vietnam), 'for being managed in a manner contrary to public order, good morals, or the security of the state' (Thailand), or 'being used for purposes prejudicial to public peace, welfare, or good order' (Singapore) (Baron, 2002).

This means that regulation of both associations and foundations has been highly subject to government discretion. In a recent survey, the major problems with the general legal framework for CSOs in Southeast Asia (except in the Philippines) are the following (Simon, 2002):

Dual authority for establishment and oversight, which results in: (a)
excessive government control over which types of NGOs are permitted to exist (resulting in the virtual exclusion of advocacy organizations in many cases); and (b) excessive bureaucracy for NGOs seeking to carry out their activities.

Intrusive regulation and administrative discretion, which results in:

 (a) arbitrary treatment of NGOs that seek to carry out activities that the government does not like; and (b) lack of independence for NGOs.

Gradually, however, this situation is changing. The lack of a requirement for permission from a relevant ministry in the Yayasan law in Indonesia seems clearly preferable to a mandatory two-track system. In addition, the initial negotiations between government and NGO leaders in Thailand indicated that governments are beginning to listen to NGO representatives about the need for legal reform that will allow the sector to operate more freely (Simon, 2002). This is contradicted by several commentators who see 'intellectuals' close to the state who "eat" oppositional forces by appropriating, influencing and developing potentially progressive ideas in order to sideline radical projects and reconstruct national ideology' (Connors, 2003: 1). Suddenly the term 'civil society' is everywhere in government plans, in journals of line ministries and even in quasi-NGOs which act more or less on behalf of the state. In tandem with the heavy involvement of the IMF and the World Bank in Thai planning and economic policy-making, the state has changed its vocabulary and discourse by now officially

relying on Good Governance, including 'people's participation' and social policy. Suddenly, CSOs have become instruments through which national development should be implemented through partnership and potential co-optation. This is essentially the anti-politics agenda, where the IFIs and the Washington consensus appropriate discourses on participation, empowerment, social capital and civil society and redefine them into their own discourse and interest. What we have seen in Thai policy-making is a spill-over effect of the anti-politics agenda by the establishment of a new social contract which initially was supported by progressives and labour. 'The new social contract involves the protection of domestic capital by the government of the remaining rich, while delivering increased social protection to the poor' (Hewison, 2004: 13). Some elements of the contractual relationship between the former Thaksin government, continued by the present Abhisit government, and the poor were housing projects, loans for the poor, and the 30-baht health scheme to go to hospital if people were not covered by private insurance. It turned out to be expensive to implement, with the consequence that the government merged the scheme with other programmes, such as the Workers' Compensation and Social Security funds, which led to major protests by workers, but in reality it was a very modest percentage of the government's budget.

The limited and circumscribed nature of civil society in East and Southeast Asia has meant that private law plays a less significant role than in Western Europe. The circumscribed role of private law has meant that law has been identified with the operation of public law, and the consequence is 'that law is associated with the extension and management of state power rather than providing a framework for private contractual relationships', that is, a statist form of legalism (Jayasuriya, 1996: 93).

Even though the enabling environment for 'giving' and benevolence has improved in some countries in Southeast Asia in recent years, a culture of giving to organizations beyond religious institutions is little developed. What's more, with tax avoidance still a problem in most countries, tax incentives do little to influence the decisions of the wealthy on their philanthropic contributions.

In the end, civil society groups are neither fully understood nor entirely trusted by the government and business sectors in Southeast Asia. There is a challenge as yet unmet by civil society to strengthen public understanding and acceptance of CSOs and their roles in society. In Indonesia, foundations are still figuring out how best to position themselves given that the term 'Yayasan' became somewhat tainted in the public's eyes under the rule of Suharto, who, along with his family and cronies, was accused of using foundations to launder money (Amott, 2003–04).

It appears that the liberal dictum of law and legalism requires a liberal

ole's participation' and social ients through which national h partnership and potential tics agenda, where the IFIs discourses on participation, and redefine them into their n in Thai policy-making is a the establishment of a new by progressives and labour. n of domestic capital by the ring increased social protecelements of the contractual ernment, continued by the housing projects, loans for hospital if people were not be expensive to implement, ged the scheme with other ation and Social Security but in reality it was a very

civil society in East and a less significant role than rivate law has meant that ublic law, and the consesion and management of k for private contractual Jayasuriya, 1996: 93). ing' and benevolence has in recent years, a culture utions is little developed.

understood nor entirely Southeast Asia. There is then public understandiety. In Indonesia, founhemselves given that the public's eyes under the cronies, was accused of -04).

n in most countries, tax

he wealthy on their phil-

galism requires a liberal

state and an autonomous civil society, which is on the defensive at the time of writing also at the regional level. One scholar notes that, 'Civil society in Southeast Asia serves the dual purpose of providing logic for resistance in the face of the onslaught of the state, or logic for coping in the face of its absence or neglect' (Contreras, 2002: 3). Also, at the regional institutional level there is scepticism toward civil society, as can be seen by the lack of reference to CSOs and institutions by ASEAN in its declarations and statements. The guidelines for achieving accreditation are limited, and the parameters for consultation and participation available to civil society are restricted. 13 Again the Philippines tend to have an advanced approach, as seen in the suggestion in 2000 of key civil society spokespersons to reinvigorate ASEAN with a social dimension. Whether this will lead to a more equal relationship at the regional level remains to be seen, but the vibrant, active and dedicated regional civil society networks have been able to push forward a People's Charter but were not consulted when the ASEAN Charter was changed in 2007 to promote, protect and respect human rights and to establish a regional human rights body.

EMERGING RESISTANCE FOR SOCIAL REFORM

Some of the key findings of this chapter are related to the new strategies of anti-politics originally developed by the IFIs in an attempt to appropriate progressive concepts and sensitive political projects. The meaning of privatization of social policy management is to remove functions traditionally performed by the state, placing them in the private sphere. The World Bank and the IMF have co-opted the language of progressive civil society and locked it inside the neo-liberal discourse as a strategic move against the current, which consists of the vocal and powerful anti-globalization movement which many progressive Southeast Asian civil society organizations identify with. On the other hand, the 1997 and 2008 financial crises are challenging the hegemony of neo-liberal globalization, and today the IFIs are under increased double pressure from transnational and regional civil society forces and from neo-conservative anti-multilateralist right-wing forces in the United States.

At the moment this cleavage does not lead to significant increases in social welfare benefits in Southeast Asia. What might prove more important then is factors which have not been touched upon in this chapter, for example changing demographies, changing gender perceptions and roles, and social atomization of the family, including more divorces and more individualism. All this means that the family, or women to be more precise as the last-resort social safety net, is under retrenchment and rapidly being

reconfigured to a new type of social institution (Schmidt, 2000b, 2007, 2008).

On the political agenda, social policy is not as relevant as other public policies and is still being subordinated to the economic growth imperative. Reforms have been initiated only because of the pressure and conditionalities from the IFIs, which acted on behalf of international capital's fear that social chaos and havoc would put their investment into jeopardy.

Although there are encouraging examples of victories won by CSOs, especially in Thailand and the Philippines, there is also considerable fragmentation of civil society. The new demands of flexible production and labour markets have decreased the strength of workers. This has implicitly meant that CSOs in a number of situations either act on behalf of labour or collaborate with non-unionized workers or more informally with the established trade unions.

Finally, there is a tendency towards CSOs either taking over state and public sector responsibilities, but always with a significantly lower budget, or even acting against the interests of those who support increases in collective goods and social redistribution. In a way they tend to deflect responsibility from the state, and as long as workers don't have any political representation in accordance with their class interests this might not be a sustainable strategy in the long run. The very act of defining themselves as 'non-governmental' explicitly rejects any ambition for establishing an alternative hegemonic project, which would, by its nature, have to include states and governments as the means through which political and economic power is articulated in modern societies (Sader, 2002).

A weak and fragmented civil society also tends to alienate people from their political institutions. People lose confidence in politicians not only from evidence of widespread corruption and arrogance but also (and more specifically linked to the IFIs' new social policy and the globalization effect) from a conviction that politicians do not understand and cannot resolve the major problems confronting their societies, such as unemployment and decline of public services (Cox, 1997: 66). The old civil society was formed in large part around interest groups like industrial and professional associations and trade unions, and also around co-operatives and charitable or self-help organizations. More recently, these older components of civil society have been diluted by a greater emphasis on 'identities' defined by religion, ethnicity and gender, and also on 'locality' rather than wider political authorities.

The integration of the vast majority of countries of the world into a single economy represents at once the self-justifying reversion of capitalism to its own nature, and its intensifying penetration of the whole world. All the

itution (Schmidt, 2000b, 2007,

not as relevant as other public le economic growth imperative. If the pressure and conditionaliinternational capital's fear that estment into jeopardy.

les of victories won by CSOs, there is also considerable fragids of flexible production and of workers. This has implicitly either act on behalf of labour or more informally with the

s either taking over state and h a significantly lower budget, se who support increases in n a way they tend to deflect vorkers don't have any politiass interests this might not be try act of defining themselves ambition for establishing an by its nature, have to include gh which political and ecos (Sader, 2002).

ends to alienate people from lence in politicians not only d arrogance but also (and policy and the globalization not understand and cannot societies, such as unemploy-7: 66). The old civil society is like industrial and professor around co-operatives and cently, these older compoter emphasis on 'identities' lso on 'locality' rather than

es of the world into a single reversion of capitalism to of the whole world. All the reasons for dismantling social security, for the neglect of welfare nets and for the further marginalisation of the poorest are now justified, not in the name of 'capitalism', but under the banner of 'integration', the institutionalising of a partnership in which the participants are profoundly unequal and destined to remain so.

Seabrook, 1997: 81

NOTES

The author would like to thank participants at the workshop on the Political Economy
of Southeast Asia in Kuala Lumpur, 29-30 October 2004, co-organized by IME,
Malaysia and DIR, Aalborg University, funded by the Danish Development Agency
Danida, Ministry of Foreign Affairs. A revised version was presented at the XXV
Congreso De La Asociación Latinoamericana De Sociologia, 'Desarrollo, Crisis
Y Democracia en America Latina: Participation, Movimientos Sociales Y Teoria
Sociológica', 22-26 August 2005 in Porto Alegre, Brazil.

There were other factors, not least the dissolution of the Soviet system itself by its own creator, the Communist Party. The end of the Cold War also had a spill-over effect on

regime change which should not be underestimated.

3. According to human rights organizations and Amnesty International, the Thaksin regime ordered the police and military to crack down on criminal elements in Thai society. This left more than 2500 people killed at gunpoint, and 50000 arrested in the southern, predominantly Muslim provinces, with hundreds killed and more wounded. Observers claim that several political activists have been killed or jailed, and Pradit Chareonthaitawee, the head of Thailand's official human rights commission, received death threats after saying. 'People are living in fear all over the kingdom.' The atrocities continue under the Abisith government, but this time the purge has been turned against Thaksin and his supporters.

4. Asia is also the only region in the world without a regional charter for human rights or other regional arrangements for the protection of rights and freedoms. And in many countries websites, newspapers and other media outlets are censored and constantly

under threat of closure.

 For some of the arguments presented by prominent advocates for Asian values see Tong (1994); Yew (1994); Mahbubani (1995).

 Dr Mahathir Mohamad, at the 29th International General Meeting of the Pacific Basin Economic Council in Washington, delivered a paper and a speech on 'The Asian Values Debate'.

7. Filipino President Arroyo and President Megawati also claimed the existence of such networks, and they therefore formed a committee tasked with the activation of a 1997 bilateral defence and security accord to address arms smuggling. Megawati, in her turn, lamented the infiltration of Malaysian Muslim militants in Indonesia with the objective of causing political destabilization. Those elements were blamed, among other things, for the series of bombings in the capital around the end of 2000. Mahathir subsequently clamped down on the culprits. See Mezzera (2002).

 Note that in this chapter I use the terms NGOs, CSOs and popular sector groups interchangeably.

9. In Indonesia, for instance, after the overthrow of Suharto (see He, 2004: 241).

10. For instance the World Bank notes that income inequality usually decreases as poverty rates fall. It said Malaysia was one of the few countries in East Asia where inequality had fallen over the past few decades, but where, despite the long-term reduction in poverty rates, the trend has reversed itself since 1990. 'Overall, Malaysia remains among the most unequal countries in East Asia' (Heong, 2004).

- 11. For this and the following see the introduction and various chapters in Hutchison and Brown (2001: 14).
- 12. Again Singapore and Malaysia are the exceptions (Deyo, 1997: 215).
- Only five out of 56 NGOs have a relationship with social issues, and the most recent NGOs accredited to ASEAN are a chess confederation, a cosmetic association and the Academies of Science (International Council on Social Welfare, 2001: 16).

REFERENCES

- Amara, Pongsapich and Nitaya Kataleeradabhan (1997), *Thailand Nonprofit Sector and Social Development*, Bangkok: CUSRI, Chulalongkorn University.
- Amott, Natasha (2003–04), 'The Quest for Financial Sustainability: Foundations in Southeast Asia. Introduction to Financing Development in Southeast Asia: Opportunities for Collaboration and Sustainability', accessed at www.synergos. org/globalphilanthropy/04/asiafinancingintro.htm.
- Anderson, Benedict (1993), 'Radicalism after communism in Thailand and Indonesia', *New Left Review*, 1/202 (November–December).
- Anek, Laothamatas (1997), 'Development and democratization: a theoretical introduction with reference to the Southeast Asian and East Asian cases', in Anek Laothamatas (ed.), *Democratization in Southeast and East Asia*, Singapore: ISEAS.
- Baron, Barnett F.F. (2002), 'The legal framework for civil society in East and Southeast Asia', *International Journal for Not-for-Profit Law*, **5**(4) (July).
- Bourdieu, Pierre and Loïc Wacquant (2001), 'Neoliberal newspeak: notes on the new planetary vulgate', *Radical Philosophy*, **105** (January).
- Brown, Andrew (2001), 'After the Kader fire', in Jane Hutchison and Andrew Brown (eds), Organising Labour in Globalising Asia, London: Routledge.
- Callahan, William A. (2003), 'Beyond cosmopolitanism and nationalism: diasporic Chinese and neo-nationalism in China and Thailand', *International Organization*, 57 (Summer).
- Carothers, Thomas (1999), Aiding Democracy Abroad: The Learning Curve, Washington, DC: Carnegie Endowment for International Peace.
- Connors, Michael Kelly (2003), 'The reforming state: security, development and culture in democratic times', Southeast Asia Research Centre working paper series no. 42, April, Hong Kong.
- Contreras, Antonio P. (2002), 'Role of civil societies in transboundary common property resource governance in Southeast Asia', paper presented at the Conference of the International Association of Common Property (IASCP), 17-21 June.
- Cornia, Giovanni Andrea (2001), 'Social funds in stabilization and adjustment programmes: a critique', *Development and Change*, 32.
- Cox, Robert (1997), 'Democracy in hard times: economic globalization and the limits to liberal democracy', in Anthony McGrew (ed.), *The Transformation of Democracy?*, Cambridge, UK: Polity Press.
- Cox, Robert (2000), 'Political economy and the world order: problems of power and knowledge at the turn of the millennium', in Richard Stubbs and Geoffrey Underhill (eds), *Political Economy and the Changing Global Order*, Ontario: Oxford University Press.

'outheast Asia

d various chapters in Hutchison and

(Deyo, 1997: 215).

h social issues, and the most recent ition, a cosmetic association and the cial Welfare, 2001: 16).

an (1997), Thailand Nonprofit I, Chulalongkorn University. cial Sustainability: Foundations Development in Southeast Asia: lity', accessed at www.synergos.

communism in Thailand and December).

democratization: a theoretical Asian and East Asian cases'. in Southeast and East Asia,

k for civil society in East and r-Profit Law, 5(4) (July). liberal newspeak: notes on the

January). Jane Hutchison and Andrew

sia, London: Routledge. ism and nationalism: diasporic nd', International Organization,

1broad: The Learning Curve, national Peace.

ite: security, development and search Centre working paper

es in transboundary common sia', paper presented at the Common Property (IASCP),

stabilization and adjustment 2, 32.

onomic globalization and the v (ed.), The Transformation of

rld order: problems of power Richard Stubbs and Geoffrey nging Global Order, Ontario: Devo, Frederic (1997), 'Labour and industrial restructuring in South-East Asia', in Garry Rodan, Kevin Hewison and Richard Robison (eds), The Political Economy of South-East Asia, Oxford, UK: Oxford University Press.

Devo, Frederic (2000), 'Reform, globalization and crisis: reconstructing Thai labor', Journal of Industrial Relations, 42(2).

Encarnaci, Omar G. (2003), 'Beyond civil society: promoting democracy after September', Orbis, Foreign Policy Research Institute's quarterly journal of world affairs, 47(4) (Fall).

Far Eastern Economic Review (FEER) (1994), 'Asia's welfare: learning from the West's forgotten values', Editorial, 23 June.

Fine, Ben (2001), 'The social capital of the World Bank', in Ben Fine, Costas Lapavisas and Jonathan Pincus (eds), Development Policy in the Twenty-first Century, London: Routledge.

Fine, Robert and Shirin Rai (eds) (1997), Civil Society: Democratic Perspectives, London: Frank Cass.

Frenkel, Stephen (ed.) (1993), Organized Labor in the Asia-Pacific Region, Ithaca, NY: ILR Press.

Gills, Stephen (2000), 'Knowledge, politics, and neo-liberal economy', in Richard Stubbs and Geoffrey Underhill (eds), Political Economy and the Changing Global Order, Ontario: Oxford University Press.

Guan, Lee Hock (2004), 'Introduction: civil society in Southeast Asia', in Lee Hock Guan (ed.), Civil Society in Southeast Asia, Singapore: ISEAS

He, Baogang (2004), 'Transnational civil society and the national identity in East Asia', Global Governance, 10(2) (April-June).

Hedman, Eva-Lotta E. (2001), 'Contesting state and civil society: Southeast Asian trajectories', Modern Asian Studies, 35(4): 921-51.

Held, David (1987), Models of Democracy, Cambridge, UK: Polity Press/Basil Blackwell

Heong, Chee Yoke (2004), 'Anti-poverty moves: old wine, new bottles', Asia Times, 27 May.

Hersh, Jacques (2004), 'Oldspeak/newspeak of (neo)liberalism on development', Interdisciplinary Journal of International Studies, 2(1) (also accessed at www.ijis.

Hewison, Kevin (2004), 'The Politics of Neo-Liberalism: Class and Capitalism in Contemporary Thailand', Southeast Asia Research Centre working paper series no. 45, May, Hong Kong.

Hewison, Kevin and Garry Rodan (1994), 'The decline of the left in South East Asia', Socialist Register, 1994.

Hewison, Kevin and Garry Rodan (1996), 'The ebb and flow of civil society and the decline of the left in Southeast Asia', in Garry Rodan (ed.), Political Oppositions in Industrialising Asia, London: Routledge.

Higgott, R. and Richard Robison (eds) (1985), Southeast Asia: Essays in the Political Economy of Structural Change, London: Routledge & Kegan Paul.

Hirsch, Philip and Carol Warren (1998), 'Introduction: through the environmental looking glass', in Philip Hirsch and Carol Warren (eds), The Politics of Environment in Southeast Asia: Resources and Resistance, London: Routledge.

Hirsch, Philip and Carol Warren (eds) (1998), The Politics of Environment in Southeast Asia: Resources and Resistance, London: Routledge.

Hutchison, Jane (2001), 'Export opportunities: unions in the Philippine garments

industry', in Jane Hutchison and Andrew Brown (eds), Organising Labour in Globalising Asia, London: Routledge.

Hutchison, Jane and Andrew Brown (eds) (2001), Organising Labour in Globalising Asia, London: Routledge.

Hyden, Goran (1997), 'Civil society, social capital, and development: dissection of a complex discourse', *Studies in Comparative International Development*, **32**(1) (Spring).

International Council on Social Welfare (2001), 'Civil society and the ASEAN', ICSW briefing paper, November, London.

Jayasuriya, Kanishka (1996), 'Review essay: legalism and social control in Singapore', Southeast Asia Research, 4(1) (March).

Jayasuriya, Kanishka (1999), 'Introduction', in Kanishka Jayasuriya, *Law, Capitalism and Power in Asia*, London: Routledge.

Jayasuriya, Kanishka and Kevin Hewison (2004), 'The Anti-Politics of Good Governance: From Global Social Policy to a Global Populism?', Southeast Asia Research Centre working paper 59, January, Hong Kong.

Jones, Catherine (ed.) (1993), New Perspectives on the Welfare State in Europe,

London: Routledge.
Judge, Anthony (1997), 'Presentation to a World Bank workshop on civil society in the FSU and East/Central Europe', Washington, DC, 16 October published in Transnational Associations, 49(3).

King, Victor T. (1996), 'Sociology', in Mohammed Halib and Tim Huxley (eds), An Introduction to Southeast Asian Studies, London: I.B. Tauris.

Levin, Andrew S. (1995) 'Civil society and democratization in Haiti', *Emory International Law Review*, 9(2) (Fall).

Mahbubani, Kishore (1995), 'The Pacific way', Foreign Affairs, 74(1) (January/February).

Marx, Karl (1970 edition), *Grundrisse*, ed. David McLellan, St Albans: Paladin. McVey, Ruth (1995), 'Change and continuity in Southeast Asian studies', *Journal*

of Southeast Asian Studies, 26(1) (March).

Mezzera, Marco (2002), 'In the name of terror', accessed at http://focusweb.org/publications/2002/in-the-name-of-terror.htm.

Mitchell, Michael (1998), 'The political economy of Mekong Basin development', in Philip Hirsch and Carol Warren (eds), *The Politics of Environment in Southeast Asia: Resources and Resistance*, London: Routledge.

Mouzelis, Nicos (1994), 'The state in late development: historical and comparative perspectives', in D. Booth (ed.), Rethinking Social Development: Theory,

Research and Practice, Essex: Longman.

Mouzelis, Nicos (1995), 'Modernity, late development and civil society', in J.A. Hall (ed.), *Civil Society: Theory, History, Comparison*, Cambridge, UK: Polity Press.

Nation (2001), 'Donations: PM fobs off govt move to hurt NGOs', 10 May. Polanyi, Karl (1944), The Great Transformation, Boston, MA: Beacon Press.

Rasiah, Rajah (2001), 'Labour and work organisation in Malaysia', in Jane Hutchison and Andrew Brown (eds), *Organising Labour in Globalising Asia*, London: Routledge.

Robison, Richard (1999), 'The politics of Asian values', *Pacific Review*, **9**(3). Rodan, Garry (1996), 'Theorising political opposition in East and Southeast Asia', in Garry Rodan (ed.), *Political Oppositions in Industrialising Asia*, London: Routledge.

own (eds), Organising Labour in

Organising Labour in Globalising

l, and development: dissection of International Development, 32(1)

'Civil society and the ASEAN',

legalism and social control in ch).

n Kanishka Jayasuriya, Law, Ige.

4), 'The Anti-Politics of Good obal Populism?', Southeast Asia ong Kong.

m the Welfare State in Europe,

Bank workshop on civil society ton, DC, 16 October published

d Halib and Tim Huxley (eds), lon: I.B. Tauris. locratization in Haiti', *Emory*

ideratization in Haiti, Emory

oreign Affairs, 74(1) (January/

lcLellan, St Albans: Paladin. utheast Asian studies', Journal

cessed at http://focusweb.org/

of Mekong Basin develop-The Politics of Environment in Routledge.

nent: historical and compara-Social Development: Theory,

ent and civil society', in J.A. rison, Cambridge, UK: Polity

o hurt NGOs', 10 May. ston, MA: Beacon Press. sation in Malaysia', in Jane Labour in Globalising Asia,

es', Pacific Review, 9(3). n in East and Southeast Asia', Industrialising Asia, London: Rodan, Garry (1999), 'The internationalisation of ideological conflict: Asia's new significance', *Pacific Review*, **9**(3).

Sader, Emir (2002), 'Beyond civil society – The left after Porto Alegre', New Left Review, 17 (September-October).

Schmidt, Johannes Dragsbaek (1996), 'Paternalism and planning in Thailand: facilitating growth without social benefits', in Michael Parnwell (ed.), *Uneven Development in Thailand*, Aldershot, UK: Avebury, Ashgate.

Schmidt, Johannes Dragsbaek (2000a), 'Globalization, democratization and labour social welfare in Thailand', in J.D. Schmidt and J. Hersh (eds), *Globalization and Social Change*, London and New York: Routledge.

Schmidt, Johannes Dragsbaek (2000b), 'Restructuring social welfare in East and Southeast Asia: corporatism with or without labor', paper for the International Conference of ASEM/World Bank/KSSA: 'Flexibility versus Security? Social Policy and the Labor Market in Europe and East Asia', Seoul, South Korea.

Schmidt, Johannes Dragsbaek (2007), 'Globalizing social welfare and labor markets in East and Southeast Asia', in Woontaek Lim (ed.), *Diversity and Dynamics of Globalization: Socio-Economic Models in Global Capitalism*, Seoul: Korean Sociological Association.

Schmidt, Johannes Dragsbaek (2008), 'Finanzkrise, Sozialkrise und ungleiche Entwicklung in Südkorea und Thailand', in Karin Küblböck and Cornelia Staritz (eds), Asienkrise: Lektionen gelernt? Finanzmärkte und Entwicklung, Hamburg: VSA Verlag.

Schmidt, Johannes Dragsbaek and Jacques Hersh (2000), *Globalization and Social Change*, London: Routledge.

Seabrook, Jeremy (1997), 'Convergence, welfare and development', Race and Class, 39(1) (July-September).

Sen, Amartya (1997), 'Human rights and Asian values', *New Republic*, 14-21 July. Simon, Karla W. (2002), 'NGO regulation in East and Southeast Asia: a comparative perspective', accessed at www.thailawforum.com/articles/ngo.html.

Sison, Marites (2001), 'Filipinos jolted as "people power" bites back', *Asia Times*, 4 May

Stepan, Alfred (1988), Rethinking Military Politics: Brazil and the Southern Cone, Princeton, NJ: Princeton University Press.

Strange, Susan (2000), 'World order, non-state actors, and the global casino: the retreat of the state', in Richard Stubbs and Geoffrey Underhill (eds), *Political Economy and the Changing Global Order*, Ontario: Oxford University Press.

Taylor, John G. and Andrew Turton (eds) (1988), Southeast Asia, Sociology of Developing Societies series, Basingstoke and London: Macmillan.

Than, Tin Maung Maung (1997), 'Myanmar democratization: punctuated equilibrium or retrograde motion?', in Anek Laothamatas (ed.), *Democratization in Southeast and East Asia*, Singapore: ISEAS.

Tong, Goh Chok (1994), 'Social values, Singapore style', Current History, December.

Turton, Andrew (1987), Production, Power, and Participation in Rural Thailand: Experiences of Poor Farmers' Groups, Geneva: UNRISD.

Underhill, Geoffrey (2000), 'Conceptualizing the changing global order', in Richard Stubbs and Geoffrey Underhill (eds), *Political Economy and the Changing Global Order*, Ontario: Oxford University Press.

Van Rooy, Alison and Mark Robinson (1998), 'Out of the ivory tower: civil

society and the aid system', in Alison Van Rooy (ed.), Civil Society and the Aid Industry, London: Earthscan.

Wade, Robert Hunter (2002), 'US hegemony and the World Bank: the fight over people and ideas', *RIPE*, 9(2) (Summer).

White, Gordon (1996), 'The dynamics of civil society in post-Mao China', in B. Hook (ed.), *The Individual and the State in China*, Oxford, UK: Clarendon Press.

Whitehead, Laurence (1997), 'Bowling in the Bronx: the uncivil interstices between civil and political society', in Robert Fine and Shirin Rai (eds), Civil Society: Democratic Perspectives, London: Frank Cass.

Winder, David (1998), 'Civil society resource organizations (CSROs) and development in Southeast Asia', accessed at www.synergos.org/globalphilanthropy/98/csrosinasia.htm.

Wolfe, Marshall (1982), UNRISD PPP. Quoted from Assignment Children, 59/60, UNICEF, Geneva.

Yew, Lee Kuan (1994), 'Culture is destiny', Foreign Affairs, 73(2) (March/April). Zakaria, Fareed (1995), 'Bigger than the family and smaller than the state: are voluntary groups what make countries work?', New York Times Book Review, August.

Section III Regional and International Dynamics







ISSN: 0225-5189 (Print) 2158-9100 (Online) Journal homepage: https://www.tandfonline.com/loi/rcjd20

Social Compacts in Regional and Global Perspective

Johannes Dragsbæk Schmidt

To cite this article: Johannes Dragsbæk Schmidt (2009) Social Compacts in Regional and Global Perspective, Canadian Journal of Development Studies/Revue canadienne d'études du développement, 28:3-4, 455-474, DOI: 10.1080/02255189.2009.9669224

To link to this article: https://doi.org/10.1080/02255189.2009.9669224

| | Published online: 14 Feb 2011. |
|-----|-------------------------------------|
| Ø, | Submit your article to this journal |
| 111 | Article views: 49 |

Social Compacts in Regional and Global Perspective

Johannes Dragsbæk Schmidt Aalborg University

ABSTRACT This article addresss four issues related to the emergence of new social compacts. It discusses various attempts to theorize and conceptualize the notions of globalization and global and regional governance. It then looks at the transformation from welfare to workfare and examines the impact of global restructuring on labour and social conditions. Examples of the distributional consequences and resulting inequality, poverty, and unemployment are provided. This process has had an important impact on the emergence of reactive regional social compacts based on various forms of negotiated contracts. Finally, the article explores new, proactive attempts to challenge the existing dogma of neo-liberal governance.

RÉSUMÉ Perspectives régionales et globales sur le contrat social. L'auteur analyse quatre questions liées à l'émergence de nouveaux contrats sociaux. Il discute diverses tentatives de théoriser et de conceptualiser les notions de la mondialisation et de la gouvernance globale et régionale. La transformation de l'aide sociale en workfare (assistance sociale en échange du travail) et les impacts d'une restructuration globale sur le travail et les conditions sociales sont analysés, exemples des effets sur la distribution des richesses ainsi que l'inégalité, la pauvreté et le chômage qui en découlent à l'appui. Des contrats sociaux régionaux fondés sur diverses formes de consultation sociales se sont formés en réaction à ce processus. Enfin, l'auteur étudie de nouvelles initiatives de contestation de l'actuel dogme de la gouvernance néolibérale.

Economic globalization is said to bring with it the material basis for the transnational-ization of political systems, civil societies, social classes, and cultural life. As a new social structure of accumulation unfolds, national societies are transformed and forced to integrate one way or the other. Information communication technology and the new knowledge-based economy provide a strong impetus for nation-states to act regionally to increase negotiation and bargaining power in the global economy. The important state-led experiments based on Keynesianism, corporatist and nationalist-cum-populist modes of *dirigisme*, and developmentalist states based on an egalitarian Listian neomercantilist strategy are either in crisis or stretched to their limits. The nation-state as the main mobilizer for development is restructuring, and new political forms of governance are emerging at global, regional, and sub-state levels.

This is a revised version of a paper presented at the 32nd International Conference on Social Welfare, Social Inclusion, Brasilia, 16–20 July 2006; and at the workshop Practicing Global Governance, organized in conjunction with the UNESCO/MOST International Forum on the Social Sciences, Policy Nexus in Buenos Aires and Montevideo, 20–24 February 2006. The author would also like to express gratitude for comments at the workshops and to two anonymous referees for their useful critique.

Canadian Journal of Development Studies 28, nos. 3-4 (2009): 455-474 © Canadian Journal of Development Studies, 2009. All rights reserved.

At the same time, there is a new emerging trend in global governance, which indicates that the old Bretton Woods regime is being replaced by new actors. It is also the result of an endemic crisis of democratic global governance as the world is seemingly being fragmented into nations, regions, cultures, and communities. As Held et al. (1999, 451) mention, "Growing nationalism and global inequalities reinforce cultural divisions and global fragmentation. Cultural relativism too, increasingly a hostage to authoritarian politics, undermines the basis of common agreement on democracy as a global ethic."

If this analysis is correct, a number of questions need to be answered. First, why global governance matters, and second, how to make sense of the growing importance of regionalism? The above definition implies a normative plan for an international order, as a portmanteau term for institutions and practices favourable to peace, development, and effectiveness. The underlying assumption is based on a problem-solving approach: that an issue can be managed, a problem resolved; that there be accommodation of mutual interests (Smouts 1998, 88). But as Craig Murphy (2000) reminds us, the international system has to take into consideration that the new world order will have to accommodate the emergence of new actors. As he points out, we live in a world where China and India are shifting the balance of capitalism away from the West to the East; with these emerging economies comprising half the population of the globe, it seems odd to spend so much time investigating the world polity. Murphy's answer is moral and ethical. What has emerged in the past decade in the debate about global governance is a renewed focus on a double crisis of governance and globalization. The old types of public institutions underpinning global governance, such as the IMF, the World Bank, and WTO, "through their promotion of unregulated economic globalization[,] have contributed to the growing number of the destitute as well as to the growing privilege of the world's rich" (Murphy 2000, 791). These institutions are termed the nébuleuse by Robert Cox ([1992] 1996, 300-2), or in other words, "governance without government[,] meaning the cloud of ideological influences that have fostered the realignment of elite thinking to the needs of the world market."

It is within this stalemate that the new actors have emerged and created a whole new development vocabulary. In neo-liberal newspeak (Bourdieu and Wacquant 2001; Hersh 2004), this situation is sometimes referred to as "global public policy networks" or so-called private-public regimes. New transnational problems have emerged, and others have intensified or simply gained increased importance on the public agenda. At the same time, transnational corporations are attempting to shape the course of globalization and now hold considerable leverage over vast networks of suppliers and, to varying degrees, governments, international organizations, global civil society, and NGOs. Some commentators add global integrated mafias and a narrow group of economists who define the norms and ideology of that profession and the treasuries and most important private institutions of capital regulation.

The newspeak is embedded in mainstream governance theory, which normally operates with three basic principles of organizational structure: hierarchy, market, and network. Interestingly, its counterpart in the discipline of international relations sees governance through the dichotomy of anarchy and hierarchy. However, "economically rational" responses do not emerge automatically in the political sphere; they are bound

up in complex processes of social and political intermediation involving values, identities, and social bonds, all located in particular time/space contexts" (Cerny 1999, 189).

Whereas governance can be defined simply as organizing collective action, or in the instrumental sense it entails the establishment of institutions being the rules of the game that permit, prescribe, or prohibit certain actions (Prakash and Hart 1999), globalization usually refers to the internationalization of goods, capital, and services. According to the proponents of globalization, the hegemony of international capital and global markets forces a "neo-liberal convergence" of domestic political capacity where national autonomy and sovereignty are conceded to the market. It furthermore increases economic and financial openness, technological change, compression of time and space, consumerism, and neo-liberal economic policies. The neo-liberal form of globalization is based on an ideational consensus that usually refers to a set of ten policy prescriptions (Williamson 1990) resting on fiscal discipline, market economy, and greater openness to the rest of the world.1 However, with regard to the North-South dichotomy, Williamson (2002) later admitted that the policies were perhaps too rigid for developing countries. The neo-liberal form of globalization's most important impact in terms of economic policy is that it performs the role of a powerful discourse that shapes domestic and international debates, a process that has changed the state's role to one of an "enforcer of decisions and/or outcomes which emerge from world markets" (Cerny 1997, 258; Beeson 2001, 483). Until very recently, this discourse ruled by consent and, promoted by a constant discursive intrusion on the majority of global, regional, and national policy and academic circles, is now being challenged by a number of new issues, factors, actors, contradictions, and conflicts.

This article follows the approach proposed by Cerny (1999, 194-95), who suggests that the type of collective action and global governance emerging out of the ashes of the old Bretton Woods system is characterized by a complex process deriving directly from structural differentiation. This implies that we should identify the main kinds of structural differences that characterize the new world order-not holistic categories based on territorial boundaries, but what might be called functional categories—such as social contracts or social bonds that are being challenged and in some cases eroded at the national level by the impact of neo-liberal globalization.² This framework will not be explored in

- 1. Williamson's (1990) ten policy actions are: (1) budget deficits should be small enough to be financed without recourse to the inflation tax; (2) public expenditure should be redirected from politically sensitive areas that receive more resources than their economic return can justify ... toward neglected fields with high economic returns and the potential to improve income distribution, such as primary education, and health, and infrastructure; (3) tax reform so as to broaden the tax base and cut marginal tax rates; (4) financial liberalization, involving an ultimate objective of market-determined interest rates; (5) a unified exchange rate at a level sufficiently competitive to induce a rapid growth in non-traditional exports; (6) quantitative trade restrictions to be rapidly replaced by tariffs, which would be progressively reduced until a uniform low rate in the range of 10% to 20% was achieved; (7) abolition of barriers to the entry of foreign direct investment (FDI); (8) privatization of state enterprises; (9) abolition of regulations that impede the entry of new firms or restrict competition; and (10) the provision of secure property rights, especially to the informal sector.
- 2. This framework rests on the assumption that globalization as a political phenomenon entails that "the shape of the playing field of politics itself—the possibilities of effective collective action internally and the capacity of states to make credible commitments externally—is increasingly determined not

detail here, but the article will rely on its usefulness in terms of investigating a more complex and multi-hegemonic world and will concentrate on the emerging regional social compacts that I see as part of the most important responses to the crisis of neo-liberal globalization. This is in essence what some authors refer to as multi-layered global governance and it is in this context that a comparative analysis of regional systems of social redistribution, regulation, and empowerment becomes relevant as a new form of resistance. Regional governance is becoming a more entrenched feature of the global political economy, while inter-regional diplomacy, through which regional associations seek to build global alliances and preferential agreements, is a potential countervailing influence to the power of the United States in dominating global agendas and setting global priorities (McGrew 2003, 11).

The political ambition of establishing regional coherence and regional identity is of primary importance. It is possible to distinguish between three kinds of region building initiatives: integration through trade liberalization, regional governance, and regionalism as citizenship or political identity. Along these variants of regionalism enter questions of redistribution, democracy, accountability, participation, transparency, security, and social policy. This has brought with it a new set of social and political actors but also highlights the fact that regionalism is in many cases based on "the idea of regional identities and the catalytic challenges posed by external challenge" (Breslin, Higgott, and Rosamond 2002, 8). In this respect, regional social compacts ought to be understood as constructed endeavours of resistance by social actors in response to the looming crisis of contemporary international capitalism. In this sense, the regional dimensions of structural change have been something of an inconvenience for the less reflexive "globalizers" who have used the hegemonic discourse of globalization to dispense with any meaningful notion of a national state (Phillips 2000, 386).

This article addresses four issues in the context of neo-liberal globalization and global/regional governance. First, it discusses various attempts to theorize and conceptualize the notions of globalization and global and regional governance. Second, it looks at the transformation from welfare to workfare and examines the impact of global restructuring on

within insulated, relatively autonomous, and hierarchically organized structures called states. Rather, it derives from a complex aggregation of multi-level games played on multi-layered institutional playing fields, above and across, as well as within, state boundaries. These three-level games are played out by state actors and other political forces, as well as market actors and cultural actors." (Cerny 2006, 377–78).

^{3.} The notions "social compact" and "social contract" are used interchangeably. Compact or contractualism originally stems from Hobbes and Locke but was developed in a different direction by Rousseau ([1762] 1913) who argued that through an ideal social contract, individuals would freely consent to exchange their natural autonomy for a share in government. This could be achieved only by a direct, participatory democracy, which would be directed by the General Will. It can also be modified to identify an arrangement in which government makes an implicit or explicit promise to deliver benefits to citizens in exchange for political support and stability (Hewison 2004, 520).

^{4.} There are resemblances between this approach and the literature on New Regionalism (Hettne, Inotai, and Sunkel 1999; Bøås, Marchand, and Shaw 2005), especially in the emphasis on a multi-polar view of world order and the less institutionalized view of regionalism; thus it also involves a greater role for civil society actors.

labour and social conditions in the North and South. Examples of the distributional consequences and resulting inequality, poverty, and unemployment are provided. Third, this process has had a huge impact on the emergence of regional social compacts based on varieties of social consultation and social reconciliation. These agencies are mainly adjustments to neo-liberalism or internationalization of the state. The pros and cons for these social compacts are discussed, and the article rounds up by exploring new attempts to challenge the existing dogma of global governance.

The Transformation from Welfare to Workfare

During the past two decades, we have witnessed an almost epochal shift in the balance of social forces. The world economy has been transformed from the "Golden Age" to the "Leaden Age" as a result of overproduction, falling prices, and cyclical crises (69 major banking crises from the 1970s to the 1990s according to the World Bank), the majority of which took place in so-called transparent developed economies.

In comparison, the golden years of capitalism in the 1950s-1970s saw very high growth rates averaging 4-5%, while the present phase of neo-liberal globalization has seen dismal growth rates of about 2% (see Ricupero 2004, 3). The prospects of achieving full employment seem to have permanently receded from the global agenda. Global unemployment rates are reaching proportions leading to a downsizing of the welfare state itself. As will be recalled, the resolution of the great depression demanded the emergence of the Keynesian macroeconomics model with its societal welfare compact.

Comparative political economists have developed different arguments regarding the determinants of social policies. One type of argument points to the fact that the convergence of social welfare policies can be related to an underlying logic of industrialism, while another sees the policies as state responses to the social requirements of capitalism. A third view approaches the *problématique* from quite another angle by suggesting that the survival of market-based capitalism is essentially based on a Keynesian strategy that saves it from self-destruction (Galbraith 1997, 5). The necessary prerequisite is a compact between labour and capital. This type of argument is based on two readings of the Keynesian social welfare model. One sees it as a tool of compromise when the foundation of capitalism is at stake—for example, during and after the crisis in of the 1930s and post–Second World War. The second reading regards the socio-economic dimension (i.e., the surplus absorption): by functioning as a demand primer, including social expenditures, Keynesian macroeconomics alleviates the tendency towards stagnation (Schmidt and Hersh 2000, 8). These readings form the foundations of Scandinavian corporatism, where the state is projected to be the arbiter between labour and capital.

This understanding is closely related to the important debate regarding the past and present ways that ties to the world economy, patterns of geopolitical and geo-economic

^{5.} The period extending from the end of the Second World War to the oil shocks of the 1970s, roughly the 30 years that the French call the Trente Glorieuses (the Glorious Thirty), coincided with the reconstruction and recovery of the European and Asian economies that had suffered widespread destruction during the conflict (Ricupero 2004, 3).

^{6.} For this and the following see Schmidt (2000).

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 labour market policies cannot stand alone; rather, it should be paired with an understanding of the impact of states on social and labour market policy-making.⁷

It is commonly recognized that by the late 20th century three ideal types of functional industrial capitalist organizations had emerged that can be analyzed on their own merits in spite of the hegemonic position in the policy-making institutions neo-liberalism later achieved (Schmidt and Hersh 2006). East Asian, US, and European models of capitalism have many distinct characteristics. Trade, production, and financial networks are tied into the different models. There are also important inter-regional differences as well as intra-regional differences and exceptions (such as the Philippines in East Asia, Chile in Latin America, and Mauritius in Africa).

Market-Led Capitalism

The first of the three aforementioned types of functional industrial capitalist organizations is the market-led type of capitalism principally identified with the United States and the United Kingdom, generically seen as "neo-American" or "Anglo-Saxon" capitalism (Albert 1993). The basic characteristic, as related to the accumulation of capital and societal arrangements, is that economic decisions are overwhelmingly left to the discretion of private actors who are given the space and opportunities of maximizing the short-term profitability of the enterprise and to raise needed capital in available financial markets. As far as the socio-political dimension is concerned, in this type of society labour enjoys limited legal industrial and social rights; workers' livelihood depends on the wage they can negotiate with employers in a more or less unregulated labour market.

With regard to state involvement in the economic sphere, it is primarily centred on creating and protecting a favourable environment for productive and financial capital markets. In these societal arrangements, politics, morality, and ideology lean toward promoting individualism and liberalism. In the laissez-faire model of US capitalism, the role of the state with regard to social protection is one of minimal allocations to low-income groups. Private insurance schemes are worked out at the place of employment. The Thatcher/Reagan counter-revolution spelled the end of the New Deal/welfare state and the introduction of lean and mean capitalism.

State-Led Capitalism

The second model is what has been categorized as state-led capitalism. Also in this type of society, decision making at the micro-level of accumulation is understood as the privilege and responsibility of the private enterprise. But in contrast to market-led capitalism, strategic business decisions are made in collaboration and contact with public agencies and often indirectly arrived at through the administrative guidance of central

^{7.} Here, social policy is broadly understood as social security, health, and education.

^{8.} For this and the following distinctions, see Schmidt and Hersh (2006, 74-75).

planning organs and state leadership of the banking system. In these capitalist societies. labour organizations and movements lack political and social rights as well as institutionalized representativeness. While the space for labour bargaining ties some workers to large private corporations through enterprise-based welfare benefits, employment conditions in family and medium-sized factories are more precarious. The ideological hegemony of the ruling elite, which influences the management of society, is most likely to be based on some variant of economic nationalism. Socially and politically, there is an alliance between the bureaucracy, industry/business, and the governing political party. Having excluded the participation of organized labour at the macro decisionmaking level, this is regarded as corporatism without labour. The rationale for this arrangement is based on the imperative of late industrialization and "catching up" that legitimizes the social control posture of semi-authoritarian or authoritarian regimes. The prototype of state-led capitalism in the aftermath of the Second World War has been that of Japanese society and of South Korea after the Korean War. These cases, together with Taiwan, were later joined by countries in Southeast Asia and China and are considered representative of a particular variant of capitalism known as the model of "East Asian capitalism" or the "developmental state" form.

Negotiated or Consensual Capitalism

The third type of industrial capitalism can be referred to as negotiated or consensual capitalism. Its basic characteristic is that whereas the degree of direct state regulation of capital accumulation may be limited, the political system allows a series of workers' rights and social welfare; organized labour is accepted as a market actor that to some extent has participated in macroeconomic decision making. Thus, in comparison to the aforementioned state-led variant of capitalism, the corporatism of consensual capitalist society does include labour. Culturally and ideologically, these capitalisms have tended to be either social-democratic or Christian democratic. These types of political parties had to compete for the allegiance of the working classes, and aside from a strong anticommunist bias internally, they have been externally antagonistic toward the Soviet Union and pro-American. Although differences are discernable especially with regard to income equality or gender equality, the Scandinavian welfare state models as well as the West German soziale Marktwirtschaft [social market economy] have been considered exemplars of this capitalist variant under the label of "European welfare capitalism" or the "Rhineland model" (Albert 1993).

The shift from the Keynesian welfare state and the Listian developmental state to the less state-centred Schumpeterian workfare state involves subordination of the social sectors to the needs of labour market flexibility and much more emphasis on the promotion of products, process, organizations, and market innovation in open economies, in order to strengthen as far as possible the structural competitiveness of the national or regional economy by intervening on the supply side. In particular, the Schumpeterian workfare regime marks a clear break with the welfare cum developmental state insofar as (a) domestic full employment is de-prioritized in favour of international competitiveness, (b) redistributive welfare rights take second place to a productivist reordering of social policy;

and (c) the primary role of the nation-state is de-privileged in favour of governance mechanisms operating on various levels (Jessop 1999, 69–70). In fact, there is evidence that the outcome of this process is a gradual move of the East Asian and West European models toward the market-based type of industrialization in North America.

However, seeing societal arrangements and levels of inequality as the outcome of economic and political imperatives for the functioning of capitalist industrial societies under specific conditions does not automatically signify that their scope and reach are predetermined. The differences in benevolence and inclusivity as well as democratic foundations of these regimes have to be explained as functions of societal agencies and social actors also influenced by their existing (political) cultures. Although social control is inherent to this type of industrial society, it can take various forms. While the end result of social well-being may very well involve neutralization of dissent and dissatisfaction, it might be preferable for the populations, compared to more coercive regime types. Given its adaptability, the ruling class may under specific conditions be willing to impose its hegemony by means of consensual corporatism whereby labour is also included.

The international trends of the 1980s and 1990s were superimposed onto a regional grid, which led to a differential impact and response. In the Western hemisphere, where US influence is strongest, governments adopted the neo-liberal dogma and reduced state involvement in the economy, slashed tariff and other trade barriers, and welcomed any type of foreign capital. In the Japanese sphere of influence, by contrast, some privatization took place, but governments continued to collaborate closely with the private sector (Stallings and Streeck 1995, 2).

Increased international capital mobility has resulted in significant levels of welfare retrenchment during the 1970s and 1980s. For instance, Sweden and Germany reduced welfare expenditures and introduced privatization in the areas of health care, housing, and daycare centres. The most radical version of welfare reform has involved the privatization of the public pension system. Along the lines of the Chilean model, which was developed in 1981, a number of countries from Latin America (Mexico, Argentina, and Uruguay) and the former Soviet bloc (Hungary and Poland) have dramatically privatized public pension systems in order to reduce government expenditures and deficits, and have downsized government (Kim 2005, 377). However, as I will illustrate below, the impact has not been uniform. The welfare state and its traditional industrial relations institutions and trade unions have in some cases been resilient, especially in the Scandinavian region, despite massive domestic and international pressures. It demands that (a) domestic labour institutions remain fundamentally unchanged, and (b) that union density, union coverage, union monopoly on interest representation, and centralized union authority remain coherent and significant in national policymaking (Minnich 2003, 32).

Although the outcomes of neo-liberal globalization differ significantly, the distributional impacts of the restructuring from welfare to workfare have widened the global

^{9.} However, it is important to note, as Cerny (2006, 378) does in his conceptualization of the "competition state," that "in a globalizing world, states play a crucial role as stabilizers and enforcers of the rules and practices of global society. Indeed state actors are the primary source of the state's own transformation into a competition state."

levels of inequality and polarization in a uniform way, and created frictions between democracy and globalization, thus corroding the notion of social solidarity. The direct impact has essentially been a hollowing out of territorial democracy and the social cohesive state (again with important exceptions). Despite the claims of the promoters of neo-liberal globalization and no direct evidence of the benefits for society of private sector involvement in education, health services, and the mixed results of private-public partnerships in water and sanitation utilities, there is still relentless pressure from all IFIs "through inter-locking conditionalities and other means to promote the growth of the private sector in basic social services, and where possible privatization of public services. This pressure, which signals that the Washington Consensus is alive and rejuvenated, tends to ignore the historical experience of both industrialized countries as well as that of high-achiever developing countries in education, health and water/sanitation" (Mehrotra and Delamonica 2005, 166). The end result of the so-called golden years of neo-liberal globalization has been devastating, as the global levels of inequality, unemployment, and poverty have tremendously increased. The following gives only some examples of the socio-political consequences of the "commodification" of economic and social relations.10

ILO figures show that of the more than 2.8 billion workers of the world, half have wages below the US\$2/day poverty line (ILO 2005, 2) Among these working poor, 535 million live with their families in extreme poverty on less than US\$1 a day (ibid.). One consequence has been the tremendous growth of informal and casual work. According to ILO, the urban informal economy was the primary job generator during the 1990s in Latin America. In Africa, the informal economy generated more than 90% of all new jobs in the region in the 1990s (see Schmidt 2006).

Furthermore, changes in the nature of work have led to increasing levels of casualization, and competition in secondary labour markets for jobs characterized by low wage and poor job security. For instance, the increase in unemployment in Latin America from 6.9% in the 1990s to 10% in 2004 has been coupled with an expansion of informal economic activity. As a result, over the past decade, 70% of all new jobs have been created in the informal sector, while over 63% of the employed members of the poorest 40% of households work in the informal sector and must use their entire labour income simply to meet their subsistence needs. This is seemingly the result of the increasing flexibility of labour markets. Coupled with the downsizing of social security, the consequence has been that "social cohesion needed to pursue collective endeavours is also seriously impaired and democratic channels for participation are undermined" (ECLAC 2005, 7).11 In Latin America, regional adjustment to the global economy has been effectuated through the neo-liberal guideline, which is most advanced in this region and is based on creating the optimal environment for private transnational capital to operate as the putative motor of development and social welfare (Robinson 1999, 48-49).

^{10.} See the chapters in Ghosh (2006).

^{11.} The inequitable distribution of income is a reflection of a highly uneven distribution of assets (land, capital, education, and technology) and unequal access to them.

Taken together, the Asian, African, and Latin American situations indicate a worsening in unemployment and labour market conditions. In addition, unemployment rates in many countries mask widespread underemployment. The working poor are largely invisible in official statistics. Billions of women and men do not have work that taps their individual creativity and uses their productive potential. For the most part, women's work remains undervalued and unaccounted for (Schmidt 2006). Obviously, the exceptions to this picture are Japan, China, South Korea, Taiwan, and to a lesser degree Southeast Asian would-be NIC countries, although even in these countries inequality and unemployment have been on the rise.

Finally, the evidence of growing inequalities between the North and South is not hard to find: "The income gap between the fifth of the world's people living in the richest countries and the fifth in the poorest was 74 to 1 in 1997, up from 60 to 1 in 1990 and 30 to 1 in 1960" (UNDP 1999, 3). The levels of inequality in the global realm increasing in the developed North itself and especially North America provide the prime example in legio of the shift from welfare to workfare.

The middle class is being hollowed out under the jobless growth regime in the United States, where a certain degree of "thirdworldization" has taken place. During Bush's presidency, the United States has experienced the slowest job creation on record (going back to 1939). In other words, there is what some commentators call a job depression in the US economy. Stephen Roach of Morgan Stanley reports that the mood at the recently concluded Davos meeting was downbeat because the predicted "wins" for the industrialized world have not made their appearance. Roach points out that "job creation and real wages in the mature, industrialized economies have seriously lagged historical norms. It is now commonplace for recoveries in the developed world to be either jobless or wageless-or both." Roach is the first free trade economist to admit that the disruptive technology of the Internet has dashed the globalization hopes. It was supposed to work like this: The first world would lose market share in tradable manufactured goods and make up the job and economic loss with highly-educated knowledge workers. The "win-win" was supposed to bring about cheaper manufactured goods to the first world and more and better jobs for the Third World. According to Roach, things did not work out this way because the neo-liberal dogma and the Internet allowed job outsourcing to quickly migrate from call centres and data processing to the upper end of the value chain, displacing first world employees in "software programming, engineering, design, and the medical profession, as well as a broad array of professionals in the legal, accounting, actuarial, consulting, and financial services industries" (Morgan Stanley 2006; Roberts 2006).

The point is that in tandem with the attack on the social regulation of the nation-state, the social compacts are increasingly being restructured to meet the interests and conditions set by the global elite, and the most important impact is the loss of national regulation over labour markets. A certain degree of convergence in terms of social regulation of the wage relation implies that capital no longer needs to worry about the reproduction of labour power or domestic markets (Hoogvelt 1997, 148; McMichael 2000, 182–83). However, as I will show in the following section, there are important exceptions and examples of divergence as well.

New Regional Social Compacts

It has been predicted again and again that the global economy would break down into a triad, centred on the European Union (euro), the United States (dollar), and Japan (yen). As a matter of fact, what has emerged is an East Asian mastodon region encompassing China, Japan, and other Asian countries and, on the other side, the United States. As former UNCTAD Secretary-General Rubens Ricupero notes, "Inside this heterogeneous group, the Asians export to the gigantic 'black hole' of the American market and finance its enormous external deficit through the purchase of dollars and Treasury bonds." What is even more compelling for our purpose here is his second remark: "There are today only two groups among developing economies: those able to finance their growth through exports to the United States, and the rest, the legion of countries still plagued by Prebisch's infamous 'trade gap,' which they are forced to finance through debt. This is certainly not the coherence that we need between the trade and the financial systems, but it is the closest we have come to it" (Ricupero 2004, 9).

In this context, to claim that there are oppositional regional resistances that in some cases are mirrored by the pooling of strength in the WTO against the power structured alliances of the United States and the EU may seem challenging. However, it might be the only route out of the crisis of a dysfunctional mode of global economic and governance system and at the same time the only "rational choice" of policy-makers, politicians, and other societal actors. Thus, I propose in the following that it is possible to identify four regional social compacts, all based on different institutional structures and cultural orientations, from government monetary, fiscal and industrial policies to labour legislation, work ethic, trust, and even the creation of new identities. Regionalism itself constitutes an element of an increasingly complex system of governance operating at a variety of levels on which questions about public goods, welfare, economic organization, and political participation are addressed (Phillips 2000, 395).

Although considerable political and cultural diversity still exists among the three different types of capitalism or industrial models described above, and despite the hegemony of neo-liberal globalization, there are at least three arguments in favour of regional offensive projects. First, there are strong and apparently growing tendencies for top-down internationalizing, and second, bottom-up transnationalizing forces work in parallel or even converge over a policy that favours regional action. "The third source of regional action is the apparent or likely trend towards emphasizing identity and legitimacy in addition to, sometimes even before, efficiency" (Hveem 2000, 78-79). Regional social compacts may be defined according to common historical experiences and increased socio-cultural, political, or economic links that can lead to the development of organizations to manage the region's collective affairs. This implies not only the formal institutions or types of governance but also the social institutions such as political conflict resolution and welfare systems cum politico-ideological derivatives such as corporatism, liberalism, and Confucianism (Stubbs and Underhill 1994, 232-33). The question is whether it is possible to identify distinctive forms of capitalism based on different relations between state, capital, and labour, since political and economic rationalism alone cannot explain why, for instance, Asian regionalism has been, more often than not,

articulated on cultural grounds rather than on economic (as in North America) or political grounds (as in Western Europe) (Ching 2000, 239).

The difference between the three models introduced above and the four proactive models is the attempt to explore the resistance potential against neo-liberal globalization and search for new types of labour market regulation, bargaining arrangements, and social bonds denoting a new type of social compact. Regionalism seen from this perspective is "a form of resistance to globalization and the site where alternate norms, ideas and practices to those that predominate in contemporary global governance are consolidated" (Nesadurai 2005, 158).

As mentioned above, the virtues of the dominant type of workfare globalization emanates from the Anglo-Saxon political and economic liberalist compact, which claims that coping with globalization—maximizing gains and minimizing risks—requires flexible domestic economic structures so that economic agents can speedily and effectively adapt to external pressures. Small rule-bound government upholding property and contracts, within which framework private actors interact freely on the basis of a decentralized world price-mechanism, best serves national flexibility (Sally 2000, 238). Here the deregulated labour market is prevalent. This model is furthermore characterized by weak labour unions and lack of bargaining power. However, there are important signs that a new economic policy is undermining this compact. As noted above, the result of the current policy will sooner or later lead to a radical change that will adversely impact the global economy. The Anglo-Saxon model has not only been imposed into global governance institutions such as the IMF, World Bank, and the WTO, but there have also been systematic attempts to establish regional formal institutions relying on the ideology of the workfare state. These attempts have largely failed in Latin America (free trade agreement) and East Asia (Asia-Pacific Economic Cooperation [APEC]), whereas the United States has seen its interests challenged by new regional initiatives; it is only NAFTA that is working according to its original purpose of transposing the flexible labour regime onto North America and Mexico. These new emerging regional social compacts will be elaborated below.

The first alternative to globalization is the so-called "flexicurity" model. It rests on negotiated social contracts between labour, employers, and the state: social corporatism is a way to cushion and spread the costs of adjustment to global liberalization. This model also rests on the Scandinavian extensive and universal social security systems. Trust, long-term co-operation, and acceptance of collective objectives are based on social, industrial, and political citizenship rights. Together, these constitute a highly developed welfare state securing a high floor of provision for each citizen, as well as institutionalized rights of individuals and organized groups to participation and voice in the polity and at the workplace, making exit less necessary for expressing discontent. The model rests on politically negotiated social compacts in a bargained economy (Stallings and Streeck 1995, 91). Corporatist bargaining networks, while based on traditional class cleavages that may seem less relevant today, are contextually dependent institutions that remain viable and effective in the globalized economy. Those countries that are highly corporatist remain so due to the increasing returns of this type of interest mediation, which has produced economic and social equality in highly internation-

alized economies (Minnich 2003, 24). What is interesting is the attempt by the Commission of the European Union to dissolve the Rhine-capitalist and the French étatiste model or continental-Western European model and adopt the flexicurity model in the whole of the EU. Whether this will materialize remains to be seen; the model itself is being challenged by right-wing forces and the increasing relative weakness of trade union bargaining power.

Also sub-Saharan Africa has seen important attempts to redress existing or new defensive regional social compacts. The following provides some examples of interesting similarities as well as important differences between the top-down Southern African Development Community/African Union and Southern Common Market (Mercosur. comprising full members Argentina, Brazil, Paraguay, and Uruguay) regions. The most important difference is that Southern Africa has spent numerous efforts and energy on reconciliation and the creation of stability and security in the aftermath of apartheid and wars. The experience of resistance has been heroic regardless of the conditionalities of the IFIs in the region.

The Latin American and African models today are characterized by a massive restructuring of capital-labour relations. The contraction of domestic markets, the dismantling of "uncompetitive" national industry, the growth of the informal economy, revised labour codes directed at making labour "flexible[,] and austerity programs have resulted in the informalization of the work force, mass under- and unemployment, a compression of real wages, and a transfer of income from labour to capital" (Robinson 1999, 49). Whether the African responses are mere adjustments to the dominant neoliberal discourse is debatable, while the new initiatives involving left-wing populist elected governments in Latin America are interesting because of their launch of a new approach to regionalism. This is best illustrated by ALBA (Alternativa Bolivariana Para Nuestra América),12 the Venezuelan Hugo Chávez-led initiative that strives to establish a progressive regionalism against US hegemony.

On paper, Mercosur has a nuanced approach to the social dimension of regionalism that may be ascribed to the Latin American legacy of corporatism. In some ways it copies and is influenced by the EU model but falls far short of the achievements of Europe in the social sector. The Southern Cone region is the most advanced in terms of codifying a common policy on labour rights. The Declaración Socio-Laboral del Mercosur promulgated in 1998 is an important declaration of the rights of labour to organize, to nondiscrimination, to be involved in social dialogue, and more. There is a monitoring mechanism involving trade union participation. The declaration reflects the continuing resilience of corporatist politics in the region. From 2000, the implementation of the supranational law on the mutual recognition of social security rights and the first joint inspections under the Health and Safety agreements took place. "The existence of the Socio-Economic Consultative Forum upon which trade unions sit is also testimony to this political tradition as well as to EU influence ... One of the questions about this high degree of union involvement is whether it represents the interests of the wider civil society and of non-organized groups" (Deacon 2001, 26).

The best example found in the East and Southeast Asian nation-state compact, including China and Japan (i.e., the capitalist developmental state), has already been characterized by a corporatist arrangement without labour and a substantial state involvement in economic affairs. This compact relies on a specific type of highly cohesive and disciplined civil society, structured by strong developmentalist institutions and orientations, which are easy to mobilize for collective action and which protect society from the dysfunctions of possessive individualism, excessive competition, and non-cooperative, particularistic rationality. By putting "politics in command," the developmental state in East Asia played an important role in the capitalist growth process. Historically, 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, labour, and capital—in actively creating comparative advantages. Before the financial crisis, neo-Listian theory enabled a clear explanation and provided the definition of the East Asian developmentalist state, 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). The national developmentalist social compacts in East Asia were challenged by the financial crisis, but as I intend to show, some of its main trajectories have been transposed to the regional realm.

This can be discerned in the attempts to provide an adequate response to the East Asian financial crises in the late 1990s, which started with the devaluation of the Thai currency and later spread to Indonesia, South Korea, Russia, and Brazil. The existing regional institutions such as the Association of Southeast Asian Nations, APEC, and Mercosur did not have either any leverage or instruments to interfere and support the crisis-ridden economies. In the case of Mercosur it made the crisis even worse, since it spread to Argentina because Brazilian companies benefited from the devaluation of the real and were able to out-compete their Argentinean counterparts.

The new emerging resistance models signify hybrid attempts to create new regional social compacts. The question is whether they are proactive or reactive. The first evidence of a new emerging albeit hybrid regional social compact is to be found in East Asia: the emergence of monetary regionalism and a turning away from the IMF. The IMF's policies are rightly perceived in the region as an affront and problematical. In addition, in the summer of 1997 the IMF, together with the US government, impeded the Japanese initiative to create an Asian liquidity fund. The Asian Monetary Fund (AMF) was explicitly to apply softer conditions than those of the IMF. The AMF's concept corresponded to being more of a "lender of last resort" than the IMF. Essentially, the AMF idea was about providing unconditional loans to overcome liquidity crises (Dieter 2000, 20). Reflecting Asian resistance to Western-driven models, the region—policy elite and wider community alike—perceived IMF policy throughout the late 1990s as humiliating and wrong.

Despite its heterogeneity in terms of religion, ethnicity, and economic potential, what we are seeing in East Asia is the emergence of a new regional compact that exhibits three overlapping and complex trends: (1) an interest in monetary regionalism arising from the desire that has emerged, since the financial crises of the late 1990s, to combat financial volatility; (2) an interest in bilateral trade initiatives within the context of the wider multilateral system, largely at the expense of the APEC-style open regionalism of the 1990s; and (3) the emergence of a discourse and resistance of a region beyond that of the sub-regions-Southeast and Northeast Asia-but more restricted than that of the Pacific as a mega-region. The voice of East Asia that is emerging within the global political economy is a new factor (Dieter and Higgott 2003, 446).

The essential feature of the resistance model as featured by the AMF example is that it seeks to preserve through regionalism particular forms of national policy instruments or domestic social and economic arrangements that are difficult to sustain individually amid globalization (Mittelman 2000, 116-30). The resistance model also emphasises concern with non-economic or social values such as distribution and social justice as the main driving force for regionalism. Although systemic forces (globalization) do come into the picture, the response to them (resistance regionalism) is mediated through the domestic political economy. Legitimacy is usually an underlying concern for policymakers contemplating this form of regionalism (Hveem 2000, 75-78; Mittelman 2000, 116-30). Governments, deriving political legitimacy from their capacity to undertake traditional social responsibilities, may be compelled to turn to regional collective action as the only viable option to maintain national social, economic coherence. The forward-looking and inclusive character of the project is underlined through China's participation. China has been emphasizing that the relevance of the project is more for the sake of the creation of a regional structure than for China's own interest (Dieter 2000, 22).

In other parts of the world, the picture might be a different one. The Mercosur, for instance, would have too limited foreign reserves to start a project of monetary regionalism based on the creation of a regional liquidity pool. Even if Chile participated, the foreign reserves of Argentina, Brazil, and Chile currently total only US\$74.9 billion, an insufficient amount for the creation of a regional liquidity fund that only uses 10% or 20% of all reserves. However, those economies with more limited reserves could still implement other elements of monetary regionalism—for example, drop regional banking supervision or the creation of a private regional liquidity fund. Also, macroeconomic co-ordination and joint monitoring would be possible (Dieter 2000, 24). The regional integration project, while young, has the potential to influence domestic institutions with respect to homogeneity in a few ways. The statement of Las Leñas decrees that democratization and consolidation of democracy in the region are among the major goals of Mercosur. "Reform fatigue" has long been the major problem in Latin America. However, there are several indications that show that the future trajectory of politics in South America will "reflect a trend away from 'automatic pilot' market strategies towards more active policies of the types enshrined in the Asian 'developmental state' model and now advocated in Latin America by a growing number of governmental, societal and media voices. This condemnation of the 'stateless market' points to a

(re-)recognition (in policy intellectual circles) of the institutional and social embeddedness of markets as well as the ways in which the functioning of domestic and global markets depends on the generation of political consent" (Phillips 2000, 388-89).

What these examples show is limited but ample evidence of an emerging regional resistance based on government and state initiative but to various degrees involving social actors as well. In the case of Mercosur and especially ALBA, there are recent initiatives growing out of the anti-globalization movement, the World Social Forum in Porto Alegre, and the re-emergence of the left on the Latin American continent. The recent massive popular rejection of the North American-induced FTA creates new identities and a collective political will to resist and potentially create more cohesive social structures in a regional setting. Mercosur, ALBA, and the AMF and surrounding initiatives and institutions are in this context proactive by their very existence and the fact that they aim to establish new types of regionalism, without any interference of the United States. They build on the idea of a specific identity, citizenship, and social compact in varying degrees.

One caveat—or, rather, contradiction—exists. It is quite inconceivable to imagine that the problems related to social solidarity and that are difficult to solve at the national level can be easily solved in regional settings; as such it remains unresolved whether the primary function of the emerging regional social compacts is external as a proactive defence against the perils of neo-liberal globalization and/or whether they are able to develop distributional mechanisms internally as well.

Although there are important differences between the flexicurity model, the new sub-Saharan African formal regional initiatives, Mercosur, ALBA, and the new emerging East Asian regionalism, they do exhibit a new type of comprehensive search for identity, societal/regional cohesion, and to varied degrees resistance against the prevailing hegemony of workfare and neo-liberal globalization.

Challenges to Global Governance

The big question is how new regional social compacts can encourage a reorientation that benefits the domestic economies and local markets and carry out long-postponed measures of redistributive and socially oriented policies. Neo-liberal globalization has systematically transferred power over patterns of resource allocation to largely unregulated financial markets, reflecting the belief that these markets are fundamentally efficient. As Bourdieu (1998) has mentioned, neo-liberal hegemony reflects "a program of the methodical destruction of collectives."

Although there are signs of crisis in the world economy, especially with regard to the absorption of the new Eastern capitalist economies, and current tendencies toward the creation of regional social compacts that reject US dominance, it seems clear that the theoretical approach to regional integration also must change. In an ideal situation, regional integration should prioritize its defensive potential against the problems associated with neo-liberal deregulation and privatization, and create mechanisms for collective action. "In the context of current shifts in approaches to globalisation, the question is how some sort of reconstituted regionalism will relate to broader 'global' trends'

(Phillips 2000, 385). Regionalism will have to offer enhanced protection against financial and social crises, whereas trade liberalization does not deliver the promised benefits (Dieter 2000).

Both Latin American and East Asian responses to the present crisis of neo-liberal globalization suggest a move toward defensive regional organizations that provide some level of regulation and a more cohesive type of social compact. This very much resembles the strategies of the EU; although it is paralyzed at the time of writing, it has been rather successful in promoting a contract both horizontally between new member states and vertically through social integrative strategies. However, even the EU must comply with the demands of neo-liberal globalization as reflected in the proposal about liberalization of the service sector and the confrontations and popular mobilization against the new constitution. As Phillips (2000, 384) mentions and as envisaged in the examples above, although

regionalism is inherently a project driven by states and a significant means by which some measure of policy latitude threatened by globalisation might be salvaged, there is a persuasive argument to be made that the domestic impact of recent global trends will necessarily involve a redefinition of the bases of regionalism in various parts of the world. In addition, if the central foundations on which contemporary regional arrangements are constructed are challenged, modified or torn down, then it seems reasonable to expect, supported by recent evidence, that the nature of the resulting regional projects will undergo a consequent and related process of change.

The regional agenda is vital not only for development in Asia, Africa, and Latin American and Caribbean countries but also for the consolidation of a common regional position in negotiations on new international rules aimed at creating a more balanced form of globalization. In fact, WTO trade negotiations in Seattle and Cancun have shown the strength of collective action on behalf of developing countries, and how regional cohesiveness of shared interests can be mutually reinforced. Without shared economic interests, the countries will find it harder to present a united front in a globalized world (ECLAC 2005, 22).

Conclusion

Let me end this exposé on regional social compacts by quoting Kari Polanyi Levitt, daughter of Karl Polanyi: "He [Polanyi] envisaged a regionalized world of co-existence of different economic and social systems linked by negotiated and managed trade," a world order that "would subordinate economics to social objectives" (Levitt 2006, 175). 13 Polanyi's vision of the coexistence of regional economies with different and diverse economic institutions linked by flows of trade, knowledge, and people should be revitalized. Serious crises in excessively open and export-dependent economies are likely to redirect attention to domestic markets not on a national but on a larger regional scale. In Latin

13. This and the following builds heavily on Levitt's article in Rev. Int. Polit. Economy (2006).

America, a new generation of leftist political leaders is responding to a profound disillusion with neo-liberal policies. Similar currents are stirring in Africa and especially East Asia (although with a different political and ideological flavour). The common struggle against the entrenchment of property rights in the WTO has forged political and economic links between major regions of the global South. Given the severe imbalance of power between the developed and the developing worlds, it is difficult to imagine that a multilateral financial and economic order would not be biased to favour the rich and mighty. Regional formations would have to furnish themselves with financial institutions to complement the management of external trade and investment.

Still, it is imperative to acknowledge that the term global, or regional, governance is heavily overloaded: "[Anthony] Payne's illustration of the diversity of forms of regionalist governance—multilevel governance in the EU, 'hub-and-spoke governance' in North America and what he calls 'pre-governance' in Asia (which might, incidentally, apply usefully also to South America)—highlights that simplistic conceptions of a single relationship between something called 'regionalism' and something called 'globalism' are analytically and empirically problematic" (Phillips 2000, 395).

As Smouts (1998, 87–88) reminds us, "We cannot speak of global governance. International regulation exists among a small number of states, with private and elitist companies sharing the same communication code (that of free trade and the Western conception of human rights)." If this is true, "minilateralism" would more likely be the correct term than a global or regional construction. The term global governance itself is based on an irenic representation of social life. It disregards the fight to the death, the phenomena of outright domination, and the problems that arise from the ungovernability of whole sections of international society. In fact, it is subject to all the reproaches levelled at the theories of public choice on which it is basically founded.

References

Albert, Michel. 1993. Capitalism vs. capitalism: How America's obsession with individual achievement and short-term profit has led to the brink of collapse. New York: Four Walls Eight Windows.

Beeson, Mark. 2001. Globalization, governance, and the political-economy of public policy reform in East Asia. Governance: An International Journal of Policy and Administration 14 (4): 481-502.

Bøås, Morten, Marianne H. Marchand, and Timothy M. Shaw, eds. 2005. The Political Economy of Regions and Regionalisms. London: Palgrave Macmillan.

Bourdieu, Pierre. 1998. The essence of neoliberalism. Le Monde Diplomatique, 8 December, http://mondediplo.com/1998/12/08bourdieu.

Bourdieu, Pierre, and Louis Wacquant. 2001. Neoliberal newspeak: Notes on the new planetary vulgate. Radical Philosophy 105 (Jan.): 1–6.

Breslin, Shaun, Richard Higgott, and Ben Rosamond. 2002. Regions in comparative perspective. In New regionalism in the global political economy: Theories and cases, ed. S. Breslin, C.W. Hughes, N. Philipes, and B. Rosamond, 1–19. London: Routledge.

Cerny Philip. 2006. Political globalization and the competition state. In Political economy and the changing global order, ed. R. Stubbs and G. Underhill, 376–86. Toronto: Oxford University Press.

——. 1999. Globalization, governance, and complexity. In Globalization and governance, ed. A. Prakash and J. Hart, 184–208. London: Routledge.

. 1997. Paradoxes of the competition state: The dynamics of political globalization. Government and Opposition 32 (2): 251-74.

Ching, Leo. 2000. Globalizing the regional, regionalizing the global: Mass culture and Asianism in the age of late capital. *Journal of Public Culture* 12 (1): 233-57.

Cox, Robert. [1992] 1996. Global perestroika. In Approaches to world order, ed. Robert Cox with Timothy J. Sinclair, 296-316. Cambridge: Cambridge University Press.

Deacon, Bob. 2001. The social dimension of regionalism: A constructive alternative to neo-liberal globalisation? GASPP Occasional Paper No 8, GASPP/STAKES, Helsinki.

Dieter, Heribert. 2000. Monetary regionalism: Regional integration without financial crises, http://www2.warwick.ac.uk/fac/soc/csgr/research/keytopic/global/monreg.pdf/.

Dieter, Heribert, and Richard Higgott. 2003. Exploring alternative theories of economic regionalism: From trade to finance in Asian co-operation? Review of International Political Economy 10 (3): 434-54.

Economic Commission for Latin America and the Caribbean (ECLAC). 2005. The Millennium Development Goals: A Latin American and Caribbean perspective. Santiago: UN.

Galbraith, John Kenneth. 1997. Preface. New Political Economy 2 (1): 5-10.

Ghosh, B.N., ed. 2006. Globalization and conflicts. London: Macmillan.

Held, David, Anthony McGrew, David Goldblatt, and Jonathan Perraton. 1999. Global transformations. Cambridge: Polity Press.

Hersh, Jacques. 2004. Oldspeak/Newspeak of (neo)liberalism on development. Interdisciplinary Journal of International Studies 2 (1): 3-19.

Hettne, Björn, András Inotai, and Osvaldo Sunkel, eds. 1999. Globalism and the new regionalism. 4 vols. London: Palgrave.

Hewison, Kevin. 2004. Crafting Thailand's new social contract. Pacific Review 17 (4): 503-22.

Hoogvelt. Ankie. 1997. Globalization and the postcolonial world. London: Macmillan.

Hveem, Helge. 2000. Explaining the regional phenomena in an era of globalization. In Political economy and the changing global order, ed. R. Stubbs and G.D. Underhill 70-81. Toronto: Oxford University Press.

International Labour Organization (ILO). 2005. Global employment trends brief. February, Geneva, http://www.ilo.org/public/english/employment/strat/download/geto5en.pdf.

Jessop, Bob. 1999. Narrating the future of the national economy and the nation state? Remarks on remapping regulation and reinventing governance. In Globalization, regionalization and social change, ed. J.D. Schmidt, 54-87. Globalization, Regionalization and Social Change, Occasional Paper No. 1, Development Research Series, Research Center on Development and International Relations, Aalborg University, Denmark.

Kim, Shinyoung. 2005. Economic crisis, domestic politics and welfare state changes. Pacific Review 18 (3): 375-91.

Levitt, Kari. 2006. Keynes and Polanyi: The 1920s and the 1990s. Review of International Political Economy 13 (1): 152-77.

McGrew, Anthony. 2003. Governing without government: Towards genuine global governance. In The Third World in the global governance system, ed. M. Hvidt and M. Ougaard, 2-23. Occasional Paper no. 4, Development Research Series, Research Center on Development and International Relations, Aalborg University, Denmark.

McMichael, Philip. 2000. States and governance in the era of "globalization." In Globalization and social change, ed. J.D. Schmidt and J. Hersh, 181-98. London and New York: Routledge.

Mehrotra, Santosh, and Enrique Delamonica. 2005. The private sector and privatization in social services: Is the Washington consensus dead? Global Social Policy 5 (2): 141-74.

Minnich, Daniel. 2003. Corporatism and income inequality in the global economy: A panel study of 17 OECD countries. European Journal of Political Research 42 (1): 23-53.

Mittelman, James H. 2000. The globalization syndrome: Transformation and resistance. Princeton: Princeton University Press.

Morgan Stanley. 2006. Stephen Roach weekly commentary: Global Economic Forum, 14 February, Davos, Switzerland, http://msdw.talkpoint.com/roach/20060214.asp.

Murphy, Craig N. 2000. Global governance: Poorly done and poorly understood. International Affairs 76 (4): 789-804.

Nesadurai, Helen E.S. 2005. The global politics of regionalism: Asia and the Asia-Pacific. In Global politics of regionalism: Theory and practice, ed. M. Farrell, B. Hettne, and L.V. Langenhove, 155-70. London: Pluto.

Phillips, Nicola. Governance after financial crisis: South American perspectives on the reformulation of regionalism. *New Political Economy* 5, no. 3 (2000): 383-98.

Prakash Aseem, and Jeffrey Hart. 1999. Globalization and governance: An introduction. In Globalization and governance, ed. A. Prakash and J. Hart. London: Routledge.

Ricupero, Rubens. 2004. UNCTAD past and present: Our next forty years. 12th Raúl Prebisch Lecture, Geneva, 14 September, http://www.unctad.org/en/docs/prebisch12th_ricupero_en.pdf.

Roberts, Paul Craig. 2006. The US has become a rogue nation. Information Clearing House, http://www.informationclearinghouse.info/article11746.htm.

Robinson, William I. 1999. Latin America in the age of inequality: Confronting the new "Utopia." International Studies Review 1 (3): 41-67.

Rousseau, Jean Jacques. [1762] 1913. The social contract. London: G.D.H. Cole.

Sally, Razeen. 2000. Globalization and policy response: Three perspectives. Government and Opposition 35 (2): 237-53.

Schmidt, Johannes Dragsbæk. 2006. Flexicurity, casualisation and informalisation of global labour markets. In Globalization and conflicts, ed. B.N. Ghosh, 129–47. London: Macmillan.

2000 Restructuring social welfare in East and Southeast Asia: Corporatism with or without labor? Paper prepared for the Europe-Asia Conference "Flexibility vs. Security?" 30 Nov.-1 Dec., Seoul, Korea.

Schmidt, Johannes Dragsbæk, and Jacques Hersh. 2006. Neoliberal globalization: Workfare without welfare. *Globalizations* 3 (1): 69-89.

_____. 2000. Globalization or the coming-of-age of capitalism. In Globalization and social change, ed. J.D. Schmidt and J. Hersh, 1-16. London and New York: Routledge.

Smouts, Marie-Claude. 1998. The proper use of governance in international relations. *International Social Science Journal* 50 (155): 81-89.

Stallings, Barbara, and Wolfgang Streeck. 1995. Capitalisms in conflict? The United States, Europe and Japan in the post-Cold War world. In Global change, regional response: The new international context of development, ed. B. Stallings, 67-99. Cambridge: Cambridge University Press.

Stubbs Richard, and Geoffrey R.D. Underhill, eds. 1994. Global trends, regional patterns. In *Political economy and the changing global order*, ed. R. Stubbs and G.R.D. Underhill, 331–35. London: Palgrave Macmillan.

UNDP. 1999. Human development report 1999. New York: Oxford University Press.

Williamson, John. 2002. Did the Washington consensus fail? Washington, DC: Institute for International Economics.

——. 1990. What Washington means to policy reform. In Latin American adjustments: How much has happened? Washington, DC: Institute for International Economics.

JOHANNES DRAGSBÆK SCHMIDT (jds@ihis.aau.dk) is associate professor in development studies and international relations at Aalborg University, Denmark. His research interests include comparative economic policy-making, development planning, international political economy, and social change with a focus on East and Southeast Asia. He has held visiting research fellowships in Australia, Thailand, Malaysia, Indonesia, and Thailand, and has published widely on social welfare and distributional issues at the global, regional and local levels.



A Study of Negative Consequences

Edited by B. N. Ghosh and Halil M. Guven



eveloping countries: The lal wisdom', World Bank

Growth and Public Policy.

g income inequality in ings), 89(2), 306–10. Onomic growth in a large tems, 23(4), 291–303. Ig the impact of FDI on \(\forall International Economics, \)

ce Do Polarisation Measuary, 85–98.

7

Flexicurity, Casualization and Informalization of Global Labour Markets

Johannes D. Schmidt

This chapter attempts to examine how global restructuring has impacted labour markets in the North and the South. The point of departure is that although the discourse on globalization has enshrined workfare as a new socio-economic objective for capitalist societies, the results of this strategy have left much to be desired. In fact, globalization has had a huge impact on the increase of unemployment and the de-regulation of labour markets, which is interpreted as a move towards varieties of flexibility with a concomitant removal of worker protection, lowering of social protection and weakening of labour unions. Sociologically speaking this implies a loss of social cohesion and individualization of human security and a collapse of stable social structures and traditional institutions in both North and South.

What we are witnessing is a change of work arrangements in the North with an accompanying loss of the social relevance of the work-place and of labour-based social organizations. Another measure is the extent of so-called 'a-typical' work such as part-time employment and fixed-term contracts. A third has been the introduction of flexicurity as a possible response. The new phase in capitalism encapsulated in the term globalization is associated with the rise of new concepts such as 'postindustrialization', 'risk-, information-, or network-society', all of which draw upon the changing nature of work and labour markets.

In the South casual work is the price paid for the introduction of flexibility by the international financial institutions (IFIs), transnational corporations (TNCs) and local governments. A related impact is that trade unions have lost bargaining power and a continuation of the neoliberal thrust towards reduced protective regulation is seemingly the result. De-regulation and the withdrawal of the state have contributed

to the creation of a new reserve army of unemployed workers and a new trend towards informalization of labour markets.

The chapter is divided into five parts. The first part briefly explores the impact of globalization on redistribution strategies; part two takes a closer look at the relationship between the so-called labour market flexibility and the 'race-to-the-bottom'; part three is devoted to the impact of globalization in the North; part four on the impact in the South. The conclusion discusses various types of resistance against neo-liberal globalization.

Situating the shift to workfare theoretically

Globalization is currently the catch-phrase of our times. In its neo-liberal conceptualization as both project, process and outcome it denotes the economic layer of juridical and political deregulation, social flexibilization and economic liberalization. It is based on the thinking of neo-classical economic orthodoxy and inextricably linked to the liberalization of commodity, labour and capital markets. In the neo-classical variant globalization in the labour market is seen as qualitatively different from globalization in goods/asset markets. Ideally speaking, according to this school of economics, the factor of production (labour services) crosses national boundaries embodied in individuals – denoted as international migration (Chiswick and Hatton 2003: 65; Bordo et al. 2003).

S

th

DI

ro

ali

in

di

ins

reg

Th

rec

Th

In reality, the neo-classical variant of globalization creates a benign picture of the impact of economic liberalization and deregulation where conflicts and contradictions disappear and the concomitant policy prescriptions follow natural laws. It represents globalization as actively decoupling the firm from its relationship with state and society, rendering it 'footloose' and infinitely mobile. However, neo-liberal forms of discipline are indeed bureaucratized and institutionalized, and operate with different degrees of intensity across a range of 'public' and 'private' spheres, in various state and civil society complexes (Gill 2003: 131). The state itself has become an active proponent of privatization and deregulative measures of labour markets in the promotion of what in essence is capital accumulation. Furthermore, neo-classical theory 'purports to describe international economic relations on the basis of comparative advantage among nations endowed with equal bargaining power. It is a model in which the reality of profits, power and exploitation is expunged' (Clairmont 1996: 35). This line of thinking is based on an intellectual and ideological hegemony of the North and its

yed workers and a new

st part briefly explores itegies; part two takes a led labour market flexdevoted to the impact impact in the South. nce against neo-liberal

ly

our times. In its neond outcome it denotes egulation, social flexsed on the thinking ricably linked to the markets.1 In the neorket is seen as qualsset markets. Ideally e factor of production odied in individuals – 1d Hatton 2003: 65;

ion creates a benign n and deregulation id the concomitant ents globalization as ith state and society, lowever, neo-liberal astitutionalized, and a range of 'public' iety complexes (Gill proponent of privatts in the promotion rmore, neo-classical nic relations on the ndowed with equal of profits, power and is line of thinking is of the North and its

linked intellectual dependency of the South (Gosovic 2000)² with grave consequences for the developing countries.

Globalization has been an integral part of capitalist development since its very beginning. 'The accumulation of capital has always been a profoundly geographical and spatial affair. Without the possibilities inherent in geographical expansion, spatial reorganization, and uneven geographical development, capitalism would long ago have ceased to function as a political-economic system' (Harvey 2000: 20, 24-5).3 This means that it can be interpreted as the empowerment of capital relative to labour and the intensification of social relations so that local happenings are shaped by events occuring many miles away, and vice versa. Harvey reminds us that capitalism is under the impulsion to accelerate turnover-time, to speed up the circulation of capital, and consequently to revolutionize the time horizon of development. Secondly, capitalism is under the impulsion to eliminate all spatial barriers, to 'annihilate space through time' as Marx put it, but it can only do so through the production of fixed space. Coupled with the deregulation of finance, and the twin information revolution cum monopolization of media power, and finally the reduction of cost and time of moving commodities and people or 'overcoming space', as Harvey notes, have altogether created immense contradictions. According to these tendencies wider spaces for private profit maximization strategies are created and thus exploited by economic actors on a world-wide scale. It is now possible to avoid the expensive time-consuming regulations belonging to the shield of social protection which traditionally guarantees human and/or socio-economic security.

This perspective is grounded in a materialist international political economy approach but adds an ideational and relational perspective to the understanding of globalization as 'a set of complex, contradictory processes in which gender, race, ethnicity, and class play an important role' (Marchand and Runyan 2000: 11). Coupled to this notion, globalization itself tends to reinforce and exacerbate existing inequalities, including gender, but is also embedded in a highly gendered and uneven discourse.

Globalization then is a process where market mechanisms increasingly transform various types of politically and collectively decided regulations with new ones catering to specific economic interests. This implies increasing levels of privatization, monetary liberalization, reductions in tariffs, labour market flexibilization and fiscal discipline. The impact of these neo-liberal approaches and policies opens up for competition between workers and the prospects of 'downward

levelling' in wages and work conditions (Southall and Bezuidenhout 2004: 128). International labour competition is not a new phenomenon but has changed its form and become more intensive in tandem with the internationalization of capital and production. 'First, international competition is now more direct because it occurs through actual job substitution; second, it is now also more extreme in that the workers involved have greater disparities in their wages, employment standards and political rights.' (Winthers 1996, cf. Hutchison and Brown: 2001: 15). The point is that while earlier competition between workers in the North saw labour gains through productivity-based bargaining, the latest version of globalization produces a 'race to the bottom' for wages, working conditions and organizing capacities.

With the new discourse of neo-liberalism, capitalism has been transformed from one of praise for the most productive period of human history to one of blaming the dirigism of both Keynesian (welfare statist) and Listian (economic nationalist) macro-economics (Schmidt and Hersh forthcoming). The result has been the dismantling of the so-called European social model and a transformation of the developmental state in East Asia. Although a convergence in social policy terms is emerging, there are also important differences between various institutions and actors in the global economy as well as new types of social resistances to these changes.

Labour market flexibility and the race to the bottom

In the mainstream neo-classical economic theory labour markets are universal, ahistorical and asocial. This is demonstrated by Fine who notes that to be 'unemployed, it is necessary to acknowledge that capitalist employment is the predominant form taken by work or labour, that a wage system is involved. In other words, we need to know what is different about the labour market in historical and social terms as well as by comparison with other commodities that do not experience chronic unemployment (a term that is used with extreme reluctance when describing markets other than labour)' (2003: 83-4). Their theories promise affluence, liberation of the individual, time for leisure and joy but the reality proves different. One of the main proponents of neoclassical globalization admits that 'wages of low-skill workers will fall in markets that face cheap imports. Second, that economic insecurity will increase for almost everyone: As economic change speeds up, nobody has a job for life. Third, the patterns of existing income support and other forms of subsidy will become more explicit and therefore harder to

hall and Bezuidenhout 10t a new phenomenon ensive in tandem with on. 'First, international urs through actual job ne in that the workers employment standards ison and Brown: 2001: n between workers in y-based bargaining, the the bottom' for wages.

italism has been transctive period of human th Keynesian (welfare o-economics (Schmidt he dismantling of the nation of the develope in social policy terms between various instias new types of social

the bottom

ry labour markets are nstrated by Fine who :knowledge that capitn by work or labour, re need to know what ıl and social terms as nat do not experience h extreme reluctance : 83-4). Their theories me for leisure and joy n proponents of neotill workers will fall in nomic insecurity will ge speeds up, nobody income support and nd therefore harder to

sustain . . . Fears one through three . . . have some basis in reality' (Crook 2003: 550). In this mode labour becomes a commodity and less a production factor and in a Marxian sense both production and consumption is marked by alienation. Thus labour power employed by capital is the source of value (and surplus value) (Fine 2003: 87). Implicitly the theory operates with 'externalities' such as flexible labour markets and increase of labour productivity.

Flexibility encompasses almost all spheres of social organization in both North and South. 'It is presented as synonymous with deregulatory government, lean production and the flexible firm, the decollectivization of industrial relations and the overall dissolution of work and employment into a fluid and transient form' (Amoore 2002: 23-9). Following this thinking there are two problems. It omits the social relations and masks the political power and social contests that surrounds the restructuring of work. It means that there is no acknowledgement of the constitution of market forces and technological development by the social forces engendered by the production process in specific places and at specific historical moments. It also provides a disciplinary ethos and concrete strategies for adjusting to and coping with globalization.

The term itself serves to constrain political and social debate about the restructuring of work and labour markets as it imposes the view that there is no alternative. The resulting impact of globalization and flexibility is obviously that all social change will conform and converge. A 'race to the bottom' seems to be implied by its call for a decrease in regulation levels of labour relations, but also seeks to exert a downward pressure on welfare and social benefits that are presumed to 'inhibit' the incentive to work.4

These contradictory processes and the downward levelling of regulations are closely linked to the liberalization of international trade and integration of world markets. Lowering economic barriers has opened enormous opportunities for TNCs with a dramatic increase in mergers and acquisitions across borders rising ten-fold between 1988 and 2000. Since 1998, 103 countries have offered concessions to foreign TNCs such as tax holidays, direct subsidies and special exemptions on import duties.5 This competition war to attract highly mobile foreign capital able to switch production easily between countries leads to a 'race to the bottom' with respect to fiscality, environment and labour standards.

Another feature of this evolution is the 'feminization of labour' through the unprecedented increase in the numbers of women workers in the formal and especially informal labour force. Women are hardest hit by flexibilization and casualization in order to keep wages and labour

costs down and productivity up. In addition the increase in part-time employment has gone hand in hand with increases in multiple job holding and casual/temporary jobs particularly for women.

There are clear signs of a global trend towards informalization of labour, lowering of wages and increasing unemployment as the most prominent outcomes of uneven neo-liberal globalization and increasing inequalities between North and South.

The empirical evidence for these claims is documented in Table 7.1 which shows that, 'the world work force continues its upward climb. The ILO's findings indicate that the differentials between the world's labour force by income and regional groups are widening. Percentage share of the high income group is expected to dive from 21% to 11%; that of the low income group to spurt from 52% to 61%' (Clairmont 1996: 345).

As shown in Table 7.2 global unemployment stood at 185.2 million in 2004 adding more than 40 million without job in a decade which

Table 7.1 Growth of world labour force (1965–2025) (millions of workers)

| Income groups | 1965 | 1995 | 2025 | Annual compound growth rates (1965–2025) |
|---------------|----------------------------|----------------------------|----------------------------|--|
| World | 1329 (100) ^a | 2476 (100) ^a | 3656 (100) ^a | 1.7 |
| High | 272 | 382 | 395 | 0.7 |
| | (21) | (15) | (11) | 0.7 |
| Middle | 363 | 658 | 1.020 | 1.7 |
| | (27) | (27) | (28) | |
| Low | 694 | 1436 | 2241 | 2.0 |
| | (52) | (58) | (61) | 2.0 |

Note: a Figures in brackets are percentages.

Source: International Labour Force (cf. Clairmont 1996: 345).

Table 7.2 Unemployment in the world, 1994, 1999, 2001–2004 (millions)

| Year | 1994 | 1999 | 2001 | 2002 | 2003 | 2004 |
|--------|---------|-------|-------|-------|-------|-------|
| Total | 140.3 | 170.3 | 174.3 | 180.9 | 105.2 | |
| Male | 82.8 | | | | 185.2 | 184.7 |
| | 100.000 | 99.5 | 102.8 | 107.0 | 110.0 | 109.7 |
| Female | 57.5 | 70.9 | 71.5 | 73.8 | 75.2 | 75.1 |

Source: ILO 2005. Differences from earlier estimates are due to revisions of the IMF estimates of GDP growth used in the model.

the increase in part-time icreases in multiple job for women.

vards informalization of mployment as the most palization and increasing

ocumented in Table 7.1 ies its upward climb. The ween the world's labour ing. Percentage share of 21% to 11%; that of the Clairmont 1996: 345). t stood at 185.2 million job in a decade which

'.5) (millions of workers)

| rowth |
|-------|
| |
| |
| |
| |
| |

5).

2001-2004 (millions)

| 12 | 2003 | 2004 |
|-----|-------|-------|
| 1.9 | 185.2 | 184.7 |
| 2.0 | 110.0 | 109.7 |
| .0 | 75.2 | 75.1 |

was supposed to have been the Golden Years of neo-liberal globalization (ILO 2005:1).

Table 7.3 indicates that there are huge differences between North and South in terms of change in unemployment rate although Asia seems to differ from the general trend of formal high unemployment. ILO figures show that of the 2.8 billion workers in the world, half have wages below the US\$2 a day poverty line. Among these working poor, 535 million live with their families in extreme poverty on less than US\$1 a day (ILO 2005: 2, also see Table 7.4). One consequence has been a tremendous growth of informal and causual work. According to ILO, the urban informal economy was the primary job generator during the 1990s in Latin America. In Africa, the informal economy generated more than 90 per cent of all new jobs in the region in the 1990s.

Since the 1970s labour markets in the North have been characterized by high unemployment rates. New technologies encourage decentralized production. Increasingly jobs are out-sourced and sub-contracted as companies seek greater flexibility and lower costs. Decentralized processes also enable firms to marginalize trade unions and neutralize labour conflicts. Globalization contributes to increased flexibility world-wide through market-based networks that promote a diversity of contractual arrangements between capital and labour. The numbers of full-time, career-seeking and long-term employees have fallen (Morris 2003: 7).

These non-traditional labour arrangements are also evident throughout the economies of most developing nations, but 'half the planet's labour force (1995) live in poor countries where per capita income is below \$700. These are official numbers that deliberately circumvent the quasi-slave labour of tens of millions of children that are deliberately unrecorded as in Bangladesh and Pakistan – votaries of the Free World' (Clairmont 1996: 345). Another impact has been growing inequalities between the North and the South: 'The income gap between the fifth of the world's people living in the richest countries and the fifth in the poorest was 74 to 1 in 1997, up from 60 to 1 in 1990 and 30 to 1 in 1960' (UNDP 1999: 3).

Nevertheless, it is not possible to conceive of globalization as a one-way, inexorable path towards economic integration and a global labour market. Economic forces do not autonomously impact 'institutions and markets in an unmediated fashion, abstracted from the social and political setting in which they are embedded. Indeed, uneven development of globalisation is to be expected and whether there is levelling up or down in specific regional integration exercises, for example, will depend

Table 7.3 Labour market indicators

| ion labour force | srowth rate (%) rate (%) | 1 | 61.8 1.6 4.1 | 56.8 0.6 2.7 | 51.6 -0.1 1.6 | 0.1 | . 26 | 66.7 2.4 8.1 | | | 47.3 3.4 | 5:1 |
|--|-----------------------------|-------|----------------------------|-------------------------------|-----------------------------|-----------|-----------------|--------------|------------------------------------|-----------------|--------------------|---------------|
| Employm to-polulat ratio (%) | | 1994 | 62.4 | 55.9 | 56.5 | | 78.7 | 8.99 | | 55.6 | 43.9 | |
| GDP growth rate (%) | | 2005 | 4.3 | 6.7 | 6.1 | | 6.8 | 5.3 | 6.5 | 3.6 | 4.6 | 2 5 |
| P growth | | 2004 | 5.0 | j. | 7.4 | | 8.3 | 5.7 | 6.3 | 7.0 | 4.8 | 4 |
| | | 2003 | 3.9 | i | 7.0 | | 7.9 | 8.4 | 6.9 | | 5.9 | 3.5 |
| Unemployment rate (%) | , 000 | 2004 | 6.1 | | 8.3 | | 3.3 | 4.0 | 4.7 | 1 | 11.7 | 10.1 |
| тргоутек | 2003 | COOS | 6.3 | | 8.4 | | 3.3 | 3 | 4.8 9.3 | 11.7 | | 10.0 |
| Unen | 1994 | | 5.5 | | 6.5 | | 2.5 | | 4.0 | 12.4 | | 2.8 |
| Change in unemployment rate (percentage point) | 1999-2004 | 00 | 0.0 | • | <u>9.1</u> – | | -0.2 0.8 | α | -0.9 | -0.2 | 0.3 | |
| Region | | World | Developed economies and | European Union Central and | Eastern Europe (non-EU) and | East Asia | South East Asia | South Asia | Latin America and the Caribbean | Middle East and | Sub-Saharan Africa | 9.8 10.0 10.1 |

stimates are due to revisions of the IMF estimates of GDP growth used in the model as well as new regional groupings.

Table 7.4 Global working poverty (WP), 1994 to 2004

| Year | \$1 WP estimate (in millions) | Share of \$1 WP in global employment | \$2 WP estimate (in millions) | Share of \$2 WP in global employment |
|------|-------------------------------------|--|-------------------------------------|--|
| 1994 | 611 | 25.3% | 1.325 | 5.4.00/ |
| 1995 | 621 | 25.4% | 1.300 | 54.9% |
| 1996 | 551 | 22.2% | 1.289 | 53.2% |
| 1997 | 569 | 22.5% | 1.299 | 51.9% |
| 1998 | 581 | 22.6% | 1.338 | 51.3% |
| 1999 | 569 | 21.8% | 1.368 | 52.1% |
| 2000 | 561 | 21.1% | 1.364 | 52.4% |
| 2001 | 563 | 20.8% | 1.372 | 51.3% |
| 2002 | 561 | 20.4% | 1.382 | 50.8% |
| 2003 | 550 | 19.7% | | 50.4% |
| 2004 | 535 | 18.8% | 1.387 1.382 | 49.7% 48.7% |

Source: Kapsos 2004.

on the balance of social and political forces involved' (Munck 2004: 4). What this implies is the fact that the size of the economy matters as well as the strength of the state and the balance of social forces to resist external and domestic policies of neo-liberal globalization.

From flexicurity to insecurity in the North

The most dramatic change in labour markets as an effect of globalization has been the growth of insecurity understood as fear of job loss. 'One concept which has become increasingly popular among policy-makers is "employability": the argument is that individuals can no longer anticipate unbroken employment within a single organization but can avoid labour market vulnerability by acquiring valued competences, including adaptibility itself. This is the basis on which the European Commision (1997) envisages a "balance" between flexibility and security' (Hyman 2004: 25; also EU Commision 1997). This is denoted by the term 'flexicurity'.

The idea about flexicurity is derived from the Dutch labour market debate and has become the new overall policy of the European Union in its attempt to distance itself from the US. It can be defined as: 'a policy strategy that attempts, synchronically and in a deliberate way, to enhance the flexibility of labour markets, the work organisation and labour relations on the one hand, and to enhance security – employment

| | if GDP growth used in the | Sed in the | P growth | ites of GD | fF estima | s of the IN | o revision | s are due | er estimate | ices from ealie | District Control |
|-----|---------------------------|------------|----------|------------|-----------|-------------|------------|-----------|-------------|-----------------|-------------------|
| 3.3 | 2.7 | 9.59 | 65.5 | 0.0 | 1.1 | | | | | | 2005 Differen |
| 4.0 | 3.4 | C: // | | Ų | 4.4 | 3.5 | 10.1 | 10.0 | 8.6 | 0.3 | Saharan Africa |
| | , | 473 | 43.9 | 4.6 | 4.8 | 5.9 | 11.7 | 11./ | 1.7.1 | | North Africa |
| 2 | 2.1 | 20.0 | | | | | ; | 1117 | 12.4 | -0.2 | Middle East and |
| 5.8 | 2.2 | 56.0 | 55.6 | 3.6 | 4.6 | 1.8 | 8.6 | 9.3 | 0.7 | | the Caribbean |
| | | | 6 95 | 5 9 | 6.3 | 6.9 | 4.7 | 8.4 | 4.0 | 0.0 | Latin America and |
| 4.3 | 2.4 | 7.00 | 0.50 | | | | | | - | 80 | South Asia |
| ~ | 2 | 100 | 2 2 2 | 00 | | | | | | | THE LACITIC |

security and social security – notably for weaker groups in and outside the labour market on the other hand' (Wilthagen and Rogowski 2002: 250). This cause has been relatively successful in the Scandinavian economies and to some degree in the Netherlands. In the rest of the EU it has not achieved the same success because of a variety of reasons such as emphasis on Fordist or industrial types of flexibility and income security.

By blaming the victims this rhetoric in fact can be seen as a way of individualizing unemployment and deficient job opportunities and scapegoating the unemployed for their own marginalization; or, as Lowe (1998: 248) puts it, 'the concept of "life-long learning" is shifting the onus of human resource development onto the individual'.

A purely supply-side labour market policy aimed at increasing individual 'employability' is likely to result primarily in a more qualified cohort of unemployed; a frustrating mismatch between enhanced skills and the limited skill content of available jobs (particularly in the expanding service sector); and perhaps also in a demographic shift in the structure of employment and unemployment. However, the concept of employability is in principle one that can be made appealing to trade union policy. This would imply the coordination and integration of demands which unions have indeed often embraced: first, for enhanced individual entitlements to education and training, and for flexible opportunities to benefit from these throughout the working life of individuals; second, for more effective (and worker-oriented) provision both by employers and by education and training institutions; third, for demand-side policies to encourage employment growth and, no less importantly, to provide appropriate employment opportunities for 'upskilled' workers. As Lowe argues (1998: 249), 'job quality could be a basis for collective action, especially among well-educated young workers whose expectations are still high'.

The policy strategy of flexicurity thus has limited relevance in small parts of Europe only. In particular because the social wage is being eroded and regular employment is increasingly treated as a luxury that cannot be afforded.

Turning to the US, 'real wages are below their level of 1973' (Bienefeld 2000: 48). Estimates from 2001 showed that one-third of all US workers are identified as contingent workers and this appear to be a conservative estimate (Parker 2002: 109). Conventional fixed-term employment, in manufacturing and services, is being swiftly replaced by part-time, low paid, non-unionized labour. Unionized labour in manufacturing fell from 42 per cent in 1950 to less than 14 per cent in 1994 (Clairmont

r groups in and outside en and Rogowski 2002: I in the Scandinavian nds. In the rest of the of a variety of reasons f flexibility and income

can be seen as a way job opportunities and inalization; or, as Lowe arning" is shifting the ndividual'.

ned at increasing indirily in a more qualitch between enhanced bs (particularly in the demographic shift in However, the concept be made appealing to dination and integraen embraced: first, for and training, and for ghout the working life 'orker-oriented) provitraining institutions: ployment growth and, oyment opportunities 19), 'job quality could well-educated young

ted relevance in small social wage is being eated as a luxury that

vel of 1973' (Bienefeld third of all US workers ar to be a conservative -term employment, in aced by part-time, low in manufacturing fell this in 1994 (Clairmont 1996: 45). The intention of employers has been to eliminate unions, cut labour costs, gain greater control over the labour process and increase their profits, as was done in earlier phases of industrial capitalism.

Since the 1980s labour markets in the US have been characterized by falling wages and growing inequalities while Europe has been cast in a high structural long-term unemployment, for both the lowest deciles of the labour market (Cuyvers and Rayp 2001). These trends have emerged as a result of the transfer of production and manufacturing to low-wage countries. The proportionate decline in the US manufacturing work-force has had dramatic impacts for the de-industrialization of the US war economy and increasing unemployment in the goods-producing and manufacturing sectors. The 'lucky' laid-off workers have been able to obtain employment in the low-paid service sector which increased, relative to the total labour force, from 66.7 per cent in 1970 to 80.5 per cent in 2000 (Berberoglu 2003: 101).

What we are witnessing is jobless growth in the North, that is, economic growth rates with growing unemployment. With the predominance of financial capital and a permanent stage of surplus production the manufacturing sector cannot find new outlets for its production. 'Only a minute fraction of all industrial jobs were generated within the TNC manufacturing sector, a job sector that is being rapidly degutted. Over the past decade, the world's Top 500 corporations shed over 400 000 workers yearly. There are no signs of a turning point as any casual perusal of the financial press would confirm. Job exterminism continues to move in concert with TNC expansion' (Clairmont 1996: 45).

It seems that the European model of social capitalism increasingly is converging with the American model of market fundamentalism. Proponents of the neo-liberal discourse claim that in the long run the benefits of globalization will eventually trickle down but unfortunately in the long run we are all dead, as Keynes said.

Deregulation, casualization and informalization of work in the South

When discussing the situation in the Third World it is unavoidable to include the role of the IFIs. The IMF attached more than 50 structural policy conditions to the typical three-year loan disbursed through its Extended Fund Facility in the 1990s and nine to 15 structural conditions to its typical one-year standby arrangement. Their scale and scope were unlike anything in the institution's prior history. The IMF moved into areas such as corporate, behavior, accounting methods and

principles, attacks on corruption, promotion of good governance, and so on (Eichengreen and James 2003: 535). These interventions have had a huge impact on labour market policies in the developing countries and have been a direct cause for the increases in unemployment and informalization of labour. This has led the Bank to claim that: 'Governments and workers are adjusting to a changing world. The legacy of the past can make change difficult or frightening. Yet realization of a new world of work . . . is fundamentally a question of sound choices in the international and the domestic realm' (World Bank 1995: 11).

The aftermath of the East Asian crisis in 1997 offers an illustration of the ideological blindfold by the 'Washington consensus' when it contended that, 'East Asian labor markets are fairly flexible, with fewer institutional or policy-driven rigidities than European or Latin American markets - minimum wage policies are limited, wage-setting practices are flexible, and wages and productivity growth are closely linked. As a result, fewer sharp contrasts existed between formal, privileged workers and rural, informal workers' (World Bank 1998, cf. De Meyer 2001: 161). The reality is that not only were the IMF and the World Bank responsible for the outset of the crisis by pressing for the encouragement of speculative capital through account liberalization from the constraints of previous regulation, but the draconian crisis management programmes and conditionalities resulted in the ultimately negative growth rates and record unemployment rates in 1998, where 'over 1 million people in Thailand and 21 million in Indonesia fell below the poverty line' (Bello 2002: 66-7). When Asian governments were forced to accept financial 'relief', Washington imposed conditions that clearly targeted ordinary workers. 'A standard message was to increase labor market flexibility, and the not-so-subtle subtext was to lower wages and lay off workers,' as Stiglitz asserted. He also stressed that: 'In East Asia, it was reckless lending by international banks and other financial institutions, combined with reckless borrowing by domestic financial institutions... which may have precipitated the crisis. But the costs, in terms of soaring unemployment and plummeting wages, were borne by the workers' (Aslam 2000). Flexibility can be seen as a response to globalization which increases competition but at the same time East Asia illustrates that it has been accompanied by weakened trade unions and an authoritarian political system.

The same trends can be seen in China where the government is promoting a high-speed, export-led growth model highly dependent on FDI. China has become the largest recipient of FDI in the world, and the government has actively courted investment with tax benefits,

f good governance, and interventions have had 1e developing countries in unemployment and to claim that: 'Governworld. The legacy of the let realization of a new of sound choices in the ank 1995: 11).

7 offers an illustration on consensus' when it irly flexible, with fewer pean or Latin American wage-setting practices are closely linked. As a nal, privileged workers 3, cf. De Meyer 2001: and the World Bank ng for the encourageberalization from the ian crisis management e ultimately negative in 1998, where 'over donesia fell below the ernments were forced onditions that clearly was to increase labor was to lower wages stressed that: 'In East ks and other financial by domestic financial risis. But the costs, in wages, were borne by as a response to globsame time East Asia ned trade unions and

the government is el highly dependent 4 IDI in the world, with tax benefits,

infrastructure, and highly repressive and exploitative labour conditions. TNCs now account for more than 45 per cent share of industrial output, greater than the 30 per cent share of state firms. This investment has been largely diverted from other peripheral countries, especially in East Asia, that had previously depended on it to cater to their own exportled growth. China's success thus poses a serious competitive threat to other peripheral countries. It is tied, for example, to growing economic strains and instabilities in South Korea and Mexico (Hart-Landsberg and Burkett 2005). However, China is losing more manufacturing jobs than the United States. For the entire economy between 1995 and 2002, China lost 15 million manufacturing jobs, compared with 2 million in the US. The entrance of China as a major exporter based on increasingly flexible labour-market policies has been accompanied by a tremendous growth in the informalization of labour accompanied by petty crime, prostitution and menial labour. Urban joblessness, unheard of when the Maoist government provided cradle-to-grave employment, now averages around 8-9 per cent. Reliable numbers are not available, but some estimate there are at least 19 million Chinese who are out of work; tens of millions more are unaccounted for by the Labour Department.

The entrance of China as a major player has also had grave consequences for a country like Mexico where a similar situation as the one in East Asia can be observed. In the aftermath of the Peso crisis and buoyed by the North American Free Trade Agreement (NAFTA), Mexico in the 1990s was the bustling factory floor of the Americas. But since 2000, as China rose to assume that role, more than 270 000 Mexicans have lost assembly jobs, hundreds of factories have closed their doors, and Mexico's trade deficit with China has grown to more than \$5 billion. The ubiquitous 'Made in China' stamp, found on everything from toys to textiles to statues of Our Lady of Guadalupe, has become the incarnation of the single greatest perceived threat to Mexico's economic prosperity and a symbol of the pitfalls of globalization (Farrell et al. 2005). In this vein, China's rise to prominence in the global economy coupled with the dominance of neo-liberal globalization are thus affecting internal developments in other parts of the Third World as well.

The Asian, African and Latin American situations indicate a worsening in unemployment and labour market conditions. In addition, unemployment rates in many countries mask widespread under-employment. The working poor are largely invisible in official statistics. Billions of women and men do not have work that taps their individual creativity and utilizes their productive potential. For the most part women's work remains undervalued and unaccounted for. The informal

sector for the majority provides precarious employment and insecure living conditions. As noted above, many nations have cut back social and employment-related benefit programmes while corporations cut pension, health and other social insurance benefits.

Human security – from public security to health and food security, to education and shelter – is a real experience only for a minority. Informal structures and logics of individual as well as institutional and administrational action of citizens are responsible for an increasing insecurity of peoples. Many of them are losing social security protection when they are excluded from the formal working place. Public security is diminishing owing to the fiscal crises and then being privatized so that only the rich are able to buy security as a market commodity. The private supply on markets is only accessible for those who dispose monetary purchasing power, and for the great majority informal provision of formerly public goods becomes a condition of survival (Altvater 2005).

The growing importance of the informal sector is followed by huge increases in organized crime in providing employment opportunities. In many cases this is seen as the only viable survival strategy. Restructuring of formal sector enterprises in market economies and state-owned enterprises in transition economies has resulted in a proliferation of activities in the informal and criminal economy. The proportion of urban employment in the parallel economy is about one-third in Asia and the Pacific, three-fifths in Africa and two-fifths in Latin America. New jobs are primarily being created in the informal economy where workers generally face greater insecurity and have less protection. This has led to social marginalization of informal workers who are generally unrecognized, unrecorded, unorganized, unrepresented, unregulated, unregistered and unprotected.

Work in the informal economy is generally of low skill and low productivity; working conditions can be unsafe and unhealthy; and workers usually work long hours and receive low pay. Women tend to comprise between 60 and 80 per cent of total informal employment and are generally concentrated in a narrow range of activities with lowerskill, lower-pay tasks (food processing, garment sewing and domestic services) (ILO 2005: 6). The result is that while global per capita income tripled over the period 1960–94, there were over 100 countries in the 1990s with per capita incomes lower than in the 1980s, or in some cases, lower than in the 1970s and 1960s. This implies that the reliance on the growth of the informal sector and its concomitant illegal and criminal activities has an increasing impact on social and human security.

carious employment and insecure lany nations have cut back social grammes while corporations cut rance benefits.

ity to health and food security, to ence only for a minority. Informal well as institutional and adminisble for an increasing insecurity of ial security protection when they g place. Public security is diminnen being privatized so that only market commodity. The private for those who dispose monetary majority informal provision of ition of survival (Altvater 2005). rmal sector is followed by huge ig employment opportunities. In e survival strategy. Restructuring conomies and state-owned enterted in a proliferation of activities The proportion of urban employone-third in Asia and the Pacific, 1 Latin America. New jobs are economy where workers generprotection. This has led to social ho are generally unrecognized, 1, unregulated, unregistered and

generally of low skill and low be unsafe and unhealthy; and eceive low pay. Women tend to total informal employment and range of activities with lowergarment sewing and domestic while global per capita income were over 100 countries in the n in the 1980s, or in some cases, implies that the reliance on the encomitant illegal and criminal al and human security.

Concluding remarks on the need for alternatives

The prospects of achieving full employment have permanently receded. Unemployment has soared everywhere. It is also evident that it is not possible for all countries to pursue the strategy of flexicurity as it demands an embedded social compact between labour, employees and the state. The developmental state in East Asia is gone, again perhaps with the exception of China where a developmental state with 'Chinese characteristics' has emerged. The nature of work has changed tremendously to a greater level of informalization and the reliance on casual labour. Indeed we can observe a trend towards 'Thirdworldization' of labour markets in the North, especially in the United States.

In a more strategic perspective this implies that capital has gone global while labour organization remains national. One reason is that trade unionism is no longer a struggle with capital but a trench war against the tax-payer probably because the public sector is easier terrain for trade union recruitment and the concomitant difficulties of organizing workers in trade unions exposed to globalization. Also in Eastern Europe, South Africa, India and Brazil organized trade unionism has become weaker, divided and reduced to confrontational politics (MacShane 2004; Munck 2004), but with important exceptions.

As Bienefeld notes 'competitive market forces are amoral, unsentimental and enormously powerful. In arm's-length markets, goods and services compete without reference to the social or human conditions of their production. In the process, they become commodities; socially disengaged use values. And, when their appearance and their performance characteristics (their 'use values') are equivalent, the cheapest ones survive. The question of whether the lowest price was made possible by superior organization, by better technology or by the intense exploitation of labor is of no concern to the market, unless people, acting through a political process, make it so' (2000: 46-7). Work-force growth and TNC labour demolition strategies, 'to remain internationally competitive' (to use their pedestrian refurbished rationalization), will augment joblessness with further soaring inequalities as their concomitant (Clairmont 1996: 346).

The issue is that there is a historical trend towards forms of production organization in which capital no longer needs to pay for the reproduction of labour power. At the same time, participation in the global market-place 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 greying 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 1997, 113). Coupled with the fact that there is a 'race to the bottom' in terms of job flight and a competition of lowering standards, regulations and laws it is interesting to note that so far the responses from labour in the North are re-active and in most cases have relied on a defensive and protectionist strategy.

The question is what types of resistance are reliable and which are unsustainable in both a short-term and longer-term perspective. Ellen Meiksin Wood criticizes those anti-capitalists who focus on TNCs and international agencies. She points out that many of the arguments used against these organizations are not anti-capitalist, but anti-global. The real issue is that globalization is a consequence of capitalism, not a cause of exploitation. Instead Wood forcefully argues that nation-states are still the most reliable guarantors of capital accumulation, and therefore states should remain the focus of opposition movements. She is correct when she argues that: 'While we can imagine capital continuing its daily operations with barely a hiccup if the WTO were destroyed, it is inconceivable that those operations would long survive the destruction of the local state.' And 'capitalism whether national or global, is driven by certain systemic imperatives of competition, profit maximization and accumulation, which inevitably require putting "exchange values" above "use values" and profit above people.' The point is that the capitalist state has always performed a very important function: 'controlling the mobility of labour, while preserving capital's freedom of movement' (Wood 2003: 131, 133, 134).

Globalization can not create prosperity for all, only the illusion of it. Globalization per se is not a new phenomenon but rather a rethoric invoked by governments in the North in order to justify their voluntary surrender to the financial markets. '[F]ar from being – as we are constantly told – the inevitable result of the growth of foreign trade, deindustrialization, growing inequality and the retrenchment of social policies are the result of domestic political decisions that reflect the tipping of the balance of class forces in favour of the owners of capital.' (Bourdieu and Wacquant 2001; Hersh 2004). This is why there are increasing signs of popular and worker-organized resistance against the impact of globalization and 'a revolt against the idea that labor, rather than investors or management, should pay the cost of corporate globalization' (Pfaff 1997).

ıl accounts between public cit), nor any demographic ; the main reason for the e welfare state which has l advanced countries since ith the fact that there is a a competition of lowering ing to note that so far the ive and in most cases have

re reliable and which are er-term perspective. Ellen who focus on TNCs and iny of the arguments used alist, but anti-global. The of capitalism, not a cause ies that nation-states are umulation, and therefore novements. She is correct ne capital continuing its VTO were destroyed, it is g survive the destruction ional or global, is driven on, profit maximization itting "exchange values" ie point is that the capitnt function: 'controlling s freedom of movement'

all, only the illusion of on but rather a rethoric r to justify their volunfrom being - as we are rowth of foreign trade, retrenchment of social s that reflect the tipping ers of capital.' (Bourdieu tere are increasing signs ist the impact of globalrather than investors or balization' (Pfaff 1997).

Notes

- 1. Neo-liberalism emerged out of an 'unholy alliance' between neo-classical economics, which provided most of the analytical tools, and what may be called the Austrian-Libertarian tradition, which provided the underlying political and moral philosophy. It is an 'unholy alliance', because the gap between these two intellectual traditions is not a minor one, as those who are familiar with, for example, Hayek's scathing criticism of neo-classical economics would know (see Chang 2001: 1). It is also interesting to note that it was in a Latin American economy, Chile, that it was implemented for the first time under the dictatorship of Augosto Pinochet.
- 2. This hegemony is closely related to the launch of other imperatives and cooptations of words such as 'the end of conflict', 'the end of class struggle', 'the end of ideology', 'partnership', 'stakeholders' and so on. See Gosovic (2000).
- 3. For this and the following, see Harvey (2000).
- 4. The term 'race to the bottom' reflects the notion that global economic competition encourages deregulation. This causes the state to lose its redistribution role and its capacity to offer services to citizens, since taxation revenues would decline. In short, the governments with the lowest standards and income taxes would emerge as the winners, since they would be the ones attracting companies to set up operations in their territory, see Brawley (2003: 59).
- 5. For this and the following, see Morris (2003).

References

Altvater, Elmar (2004), 'Globalization and the informalization of the urban space', in Johannes D. Schmidt, Development Studies and Political Ecology in a North South Perspective, Occasional Papers No. 5, DIR, Aalborg University, Denmark.

Amoore, Louise (2002), Globalization Contested: An International Political Economy of Work, Manchester and New York: Manchester University Press.

Aslam, Abid (2000), 'World Bank dissident invokes Asian workers' woes', Asia Times, January 12.

Bello, Walden (2002), Deglobalization: Ideas for a New World Economy, London: Zed Books.

Berberoglu, Berch (2003), Globalization of Capital and the Nation-State, Lanham and Oxford: Rowan and Littlefield.

Bienefeld, Manfred (2000) 'Globalization and social change. Drowning in the icy waters of commercial calculation', in Johannes D. Schmidt and Jacques Hersh (eds) Globalization and Social Change, London: Routledge.

Bordo, Michael D., Alan M. Taylor and Jeffrey G. Williamson (eds) (2003), Globalization in Historical Perspective, Chicago: University of Chicago Press.

Bourdieu, Pierre and Loïc Wacquant (2001), 'Neoliberal newspeak: Notes on the new planetary vulgate', Radical Philosophy, 105, January.

Brawley, Mark R. (2003), The Politics of Globalization, Toronto: Broadview Press. Chang, Ha-Joon (2001) 'Breaking the mould. An institutionalist political economy alternative to the neoliberal theory of the market and the state', Paper Number 6, May, Geneva: United Nations Research Institute for Social Development.

Chiswick, Barry R. and Timothy J. Hatton (2003), 'International migration and the integration of labor markets', in Bordo et al.

Clairmont, Frederic F. (1996), The Rise and Fall of Economic Liberalism. The Making of the Economic Gulag, Penang, Malaysia: Southbound and Third World Network.

Crook, Clive (2003), 'Globalization in Interdisciplinary Perspective'. A panel, in Bordo et al.

Cuyvers, Ludo and Glenn Rayp (2001), 'Globalisation and wages in industrial countries: Theory and empirical evidence', in Ludo Cuyvers (ed.) Globalisation and Social Development: European and Southeast Asian Evidence, Cheltenham, UK: Edward Elgar.

De Meyer, Tim (2001), 'ILO fundamental principles and rights to work in Asia Pacific: Emerging standards for emerging markets', in Cuyvers and Rayp. Eichengreen, Barry and Harold James (2003), 'Monetary and financial reform in

two eras of globalization', in Bordo et al.

European Commission (1997), 'Partnership for a new organisation of work', Luxembourg: Office of Official Publications from the European Communities, in Hyman (2004).

Farrell, Diana, Antonio Puron and Jaana K. Remes (2005), 'Beyond cheap labor: Lessons for developing economies', McKinsey Quarterly, 1, March.

Fine, Ben (2003), 'Contesting labour markets', in Alfredo Saad-Filho (ed.) Anti-Capitalism. A Marxist Introduction, London: Pluto.

Gill, Stephen (2003), Power and Resistance in the New World Order, Basingstoke: Palgrave Macmillan.

Gosovic, Branislav (2000), 'Intellectual hegemony in the context of globalisation', in Denis Benn and Kenneth Hall (eds) Globalisation: A Calculus of Inequality Perspectives from the South, Kingston, Jamaica: Ian Raddle Publishers.

Hart-Landsberg, Martin and Paul Burkett (2005), 'Thinking about China', http://mrzine.monthlyreview.org/mhlpb300705.html,

Harvey, David (2000), 'Globalization in Question', in Johannes D. Schmidt and Jacques Hersh (eds), Globalization and Social Change, London: Routledge.

Hersh, Jacques (2004), 'Oldspeak/newspeak of (neo)liberalism on development', Interdisciplinary Journal of International Studies, 2(1), 3-19 (also avalilabe at http://www.ijis.auc.dk">).

Hoogvelt, Ankie (1997), Globalization and the Postcolonial World, London: Macmillan.

Hutchison, Jane and Andrew Brown (2001), 'Organising Labour in Globalising Asia: An Introduction', in (eds) Organising Labour in Globalising Asia, London: Routledge.

Hyman, Richard (2004), 'An emerging agenda for trade unions?' In Munck.

ILO (2005), 'Global employment trends brief', February, Geneva http:// www.ilo.org/public/english/employment/strat/download/get05en.pdf >.

Kapsos, S. (2004), 'Estimating growth requirements for reducing working poverty: Can the world halve working poverty by 2015?', Employment Strategy Paper no. 2004/14, IMF, Geneva.

Lowe, Graham (1998), 'The future of work: Implications for unions', in Relations industrielles, 53.

MacShane, Denis (2004), Foreword in Munck.

13), 'International migration and al.

Fall of Economic Liberalism. The ia: Southbound and Third World

plinary Perspective'. A panel, in

lisation and wages in industrial Ludo Cuyvers (ed.) *Globalisation* 4*sian Evidence*, Cheltenham, UK:

ples and rights to work in Asia ets', in Cuyvers and Rayp. onetary and financial reform in

a new organisation of work', m the European Communities,

s (2005), 'Beyond cheap labor: 'arterly, 1, March.

Alfredo Saad-Filho (ed.) Anti-

Vew World Order, Basingstoke:

n the context of globalisation', ation: A Calculus of Inequality
1 Raddle Publishers.

5), 'Thinking about China', 5.html>,

in Johannes D. Schmidt and ige, London: Routledge.

)liberalism on development', 2(1), 3–19 (also avalilabe at

Postcolonial World, London:

ising Labour in Globalising in Globalising Asia, London:

ade unions?' In Munck. February, Geneva http://wnload/get05en.pdf. It reducing working poverty: Employment Strategy Paper

ons for unions', in Relations

Marchand, Marianne H. and Anne Sisson Runyan (2000), 'Feminist sightings of global restructuring: conceptualizations and reconceptualizations', in (eds) *Gender and Global Restructuring. Sightings, Sites and Resistances,* London: Routledge.

Morris, Elizabeth (2003), 'Globalization and research priorities for labour markets in Southeast Asia', ILO, Geneva, http://www.globalpolicy.org/globaliz/econ/2003/iloglob.pdf.

Munck, Ronaldo (ed.) (2004) *Labour and Globalization*. *Results and Prospects*, Liverpool: Liverpool University Press.

Munck, Ronaldo (2004), 'Introduction: Globalisation and Labour Transnationalism', in Munck.

Parker, Robert E. (2002), 'The global economy and changes in the nature of contingent work', in Berch Berberoglu (ed.) Labor and Capital in the Age of Globalization, Boston: Rowan and Littlefield.

Pfaff, William (1997), 'Why should workers bear the brunt of globalization pain?', *International Herald Tribune*, New York, January 13.

Polet, Francois and CETRI (ed.) (2004), The Globalisation of Resistance: The State of Struggle, London: Pluto Press.

Schmidt, Johannes D. and Jacques Hersh (forthcoming) 'Neoliberal globalization: Workfare without welfare', *Journal of Globalizations*, 3(1).

Southall, Roger and Andries Bezuidenhout (2004), 'International solidarity and labour in South Africa', in Munck.

UNDP (1999), Human Development Report 1999, New York: Oxford University Press.

Wilthagen, T. (1998), 'Flexicurity: A new paradigm for labour market policy reform?', Berlin, WZB Discussion Paper FSI.

Wilthagen, T. and R. Rogowski (2002), 'Legal Regulation of Transitional Labour Markets', in G. Schmid and B. Gazier (eds), The Dynamics of Full Employment: Social Integration through Transitional Labour Markets, Cheltenham: Edward Elgar.

Winthers, Jeffrey A. (1996), Power in Motion: Capital Mobility and the Indonesian State, Ithaca and London: Cornell University Press.

Wood, Ellen Meiksins (2003), 'Globalisation and the state: Where is the power of capital?', in Alfredo Saad-Filho (ed.) *Anti-Capitalism. A Marxist Introduction*, London: Pluto Press.

World Bank (1995), 'Workers in an Integrating World', World Development Report, New York: Oxford University Press.

World Bank (1998), East Asia: The Road to Recovery, Washington D.C.: Cf. World Bank. De Meyer.

SOCIAL THEORY & ASIAN DIALOGUES

CULTIVATING PLANETARY CONVERSATIONS

Ananta Kumar Giri





Social Welfare and Harmony in East Asia and the Nordic Region

Johannes Dragsbaek Schmidt

Introduction

The main purpose of this chapter is to provide a critical assessment and a comparative perspective on social policies in East Asia,1 and the Nordic region.² Are there lessons to be learned from the models of social provisioning that ensure decent, secure and harmonious lives for all citizens particularly the poor, the excluded sectors in society and the unemployed? East Asia might offer lessons for the Nordic region and vice versa in social welfare, equity and labor market policies. The chapter asks whether the welfare systems of East Asian countries are distinctive, with Confucian assumptions about harmony implicitly and hidden beneath the surface, or are such notions about ethics and moral duties used as a social engineering strategy by the state and as a tool to discipline the workforce in order to create a conducive environment for a continuation of paternalism, developmentalism and hierarchies in labor markets and social welfare? These propositions are compared with the corporatist Nordic welfare model, which is rapidly changing into a workfare or competition state. In conclusion, the question is whether these societies are converging or diverging in light of the present financial and social crisis in the world economy.

J. D. Schmidt (⋈) Department of Political Science, Aalborg University, Aalborg, Denmark

The chapter is divided into four sections. The first section gives insight into the academic and theoretical debates about the role and determinants of social policy. It also establishes the theoretical framework for the chapter. The second section dwells on the debate between "East" and "West" about the role of entitlements, and whether there is a convergence between neo-conservatives on the use of ideology, culture, values and identity as a social power tool and as a competing norm both domestically and internationally. The third and fourth sections deal with the notion of corporatism in the regions. Finally, some tentative comparative conclusions are given.

The Political and Ideological Controversy Over Social Entitlements

Comparative political economists have developed different arguments regarding the determinants of social policies. One argument notes that social welfare policy convergences reflect an underlying logic of industrialism; another sees them as state responses to the social requirements of capitalism. A third view suggests that the survival of market-based capitalism relying on a Keynesian strategy essentially saves capitalism itself from self-destruction (Galbraith 1997: 5). The necessary pre-requisite for the latter solution is a social compact or contract between labor and capital based on mutual trust, bargaining, harmony and tripartite negotiations among equal actors. This type of argument is based on two readings of the Keynesian social welfare state. The first sees it as a tool of compromise when the foundation of capitalism is at stake, as it was during and after the crisis in the 1930s, after the Second World War and again in 2008—when a new international financial and multi-layered crisis and depression is looming (Schmidt 2010). The second reading regards the socio-economic dimension (i.e. the surplus absorption); by functioning as a demand primer, including social expenditures, Keynesian macro-economics alleviates the tendency towards stagnation (Schmidt and Hersh 2000: 8). In this way, those readings form the very basics of Nordic corporatismwhere the state is projected to be the arbiter between labor and capital while the East Asian model is defined as "corporatism without labour" (Schmidt 2000b). This historical approach is closely related to the important debate regarding the past and present of the way in which corporatism is tied to the world economy, patterns of geopolitical and geoeconomic competition, and processes through which national and transnational cultures, ideologies and policy discourses have influenced social policies. The

impact of external determinants on social policy agendas and labor market policies cannot stand alone, but should be coupled with an understanding of the domestic impact of states, elites and social forces on social and labor market policymaking (Schmidt 2000a).³

These theoretical concerns make the recourse to history important—and broadly speaking, the present dominance of a global neo-liberal discourse and prescriptions for de-regulating finance, fiscal, social and labor market policies cannot be based on the record of the past. History provides no examples of laissez-faire policies that resulted in high wage economies capable of supporting widely dispersed wealth, equity and welfare benefits for a large population (Schmidt 2006). Essentially what is happening is what Bienefeld (1993: 31) has referred to as "the disarming of the state." Financial de-regulation 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.⁴

In this regard, the question which social sciences faces in view of neoliberal hegemony and globalization and the ongoing recession cum depression since 2008 is whether the process will result in greater social welfare or whether neo-liberal globalization serves to reduce the social dimension of twentieth-century 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 individual social classes at a time when adjustment to the conditionality imposed by the present crisis goes in the direction of reducing the welfare functions of the state? Finally, what are the implications for values, political culture and ideology in relation to labor market regulation, social welfare and the imposition of the binary relation between harmony and disharmony? These are the pertinent questions facing both East Asian and Nordic countries.

Convergence or Divergence of Social Welfare Ideology and Values

One consequence of the effects of globalization and neo-liberal hegemony has been the ideologization of the role of the state in East Asia and implicitly the region's social welfare systems. Neo-conservatives 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 and Calvinist values has been recycled as the functional equivalent of Confucianism to explain the so-called East Asian miracle, including China, in terms of a specific ethical and moral codex and discourses about "harmonious society" and "harmonious labor relations" (Wei He 2010).

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 reemergence of East Asian self-confidence (Koh 1998; Frank 1998; Arrighi 2007) has been 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 other's' arguments and views with a growing synergy" (Rodan 1995: 2). Although there is a convergence among these neo-conservative ideologies on the particularly important aspect of defending the rights of capital and business against perceived threats from labor and trade unions, there are differences regarding their perception of the role of the state. One view promotes the Confucian welfare state and another a more productivist and competitive welfare regime, where social policy is subordinated to economic policy, but both views share negative assumptions about organized labor as part of a tripartite arrangement.

Nonetheless, beneath the surface of these ideological divergences and convergences toward social welfare the bottom line of the debate is that oppositional forces and anti-traditionalist groups and segments promote social security issues which are assuming greater importance. Historically speaking, there have also been attempts in the form of pressures and often militant actions from labor movements as they push for the state to adopt and implement social security and equity-related legislation and policies. Seen in this perspective the maldistribution of wealth and the increasing vulnerability of modernizing social systems in East Asia can potentially lead to unrest and instability. It seems clear that it would be ahistorical not to realize that elites may use ideological and "culturalized" positions of social welfare as a tool to discipline social actors, and in this way it becomes a factor that shapes internal and external policy in various directions, depending on the specific circumstances and contexts.

The Nestor from Singapore, former Primeminister Lee Kuan Yew stressed that Confucian values remedy deficiencies and excesses in Western culture and politics, including the emphasis on rights and duties and the primacy of family, male and kinship lineage supremacy. In this regard, the family plays a particularly important role for both East Asian conservatives and Western right-wing proponents, since the latter "use ... the moral politics of the family for legitimating major cutbacks in welfare programmes (or in 'rolling back the state'), the moralization of family issues in Korea has had a preventive effect on the *starting up* of any such progressive welfare programmes" (Chang 1997 cf. Shin and Shaw 2003: 338). In this way, Confucian familism has been mobilised as a means to "enervate" the volatility and militancy of labor movements, which in the Korean case protested against employers highly repressive and "authoritarian treatment of workers which has been characterized as the military-camp style of labor control (Kwon 2007: 66).

China, for instance, uses Confucianism as an "Imagined Asian identity" (Anderson 1991) to construct and invent itself as the natural cultural leader or gyroscope of the region. In this way, Beijing persistently uses "Asian or Confucian values" to establish itself as a competitor to the "West". "Confucianism's concern with ethics, the emphasis on groups rather than the individual, and the primacy of unity, harmony, order, education, and hard work, have a wide appeal, especially now that 'the Western values' of individualism and liberalism are under pressure" (Ham 2010: 39). For China, playing the "Asian values" card offers opportunities to set competing norms and standards in international politics by launching Confucian principles such as "harmonious world" and "peaceful co-existence." Domestic policies encapsulate harmony and peace, and at the same time China emphasizes soft power in its foreign policy and attempts to distance itself from hardcore realist notions of conflict and coercion (Schmidt 2008). It is also a way to distance itself from a long history of humiliation, victimhood and Eurocentric racism, and a way to promote a so-called specific Chinese mix of productivist and Confucian conservative social welfare. This particular mix can also be observed in South Korea (Shin and Shaw 2003) and Taiwan, and to a lesser degree in Japan. In a regional perspective, Confucianism can be regarded as merely a mediating factor and not a determinant per se, although it still plays a role as "surrogate social policy," where emphasis is put on agricultural protection and enterprise welfare (Kim 2010: 413), and as denominator for a strong focus on education in all three countries.

By putting "politics in command," the developmental state played an important role in the capitalist growth process in the East Asian late

industrialization model. It 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 policymaking was thus organically tied to the production factors—land, labor and capital—in actively creating comparative advantages. Before the Asian crisis in 1997 and much ahead of the crisis in 2008, neo-Listian theory enabled a clear explanation for and provided the definition of the East Asian developmentalist state, 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. In contrast the developmentalist state restrains market rationality in order to pursue a policy of industrialization *per se*" (Hoogyelt 1997: 206).

It seems that both the Listian developmentalist state and the welfare state are bound to change as a consequence of the new social circumstances and in the face of neo-liberal globalization and its concomitant financial crises.

Real changes as a response to both domestic and external impediments and challenges can be seen in China, where a growing potential for social unrest and instability forced former President Hu Jintao and the government to announce a gradual change away from productivism-based social policy to a new "Harmonious Society," emphasizing the need for more redistribution and equality as well as for a sustainable social agenda aiming at the equalization of basic social services by 2020. This has been highlighted by the ongoing economic and financial crisis, despite which China was able to maintain high economic growth. Yet the crisis has exposed some of China's most prevalent problems and challenges, such as the widening gap between rich and poor regions and a lack of adequate (even basic) social protection for a large proportion of its 1.3 billion population (Sander et al. 2010). However, the result so far is meager, and the policy related to "Harmonious Society" as social virtue has become more a disciplinary instrument to keep labor demands at bay (Danford and Zao 2012) and in tackling social unrest rather than being a moral imperative.

Public social expenditure in Taiwan and South Korea remains very low at about 4–7% of gross domestic product (GDP), while the Nordic countries spend between 20% and 25% of GDP (OECD 2011). China is the lowest while Japan spends about 7%. Health expenditures show the same picture, with South Korea spending 6.5% of GDP with half of this being

private contributions, while the Nordic countries spend approximately 8–10% of GDP with low private contributions.

Even the Nordic countries seem to be changing rapidly, urged by the continuing crisis. The Danish welfare state is gradually changing its functions away from a focus on flexicurity (flexibility on the labor market combined with high levels of social security) and away from traditional welfare service provision to a workfare or a competition state (Schmidt and Hersh 2012).

The real issue as Ankie Hoogvelt (1997: 113) convincingly argues 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 greying 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" (Hoogvelt ibid). It also entails that the increased mobility of capital has forced governments into a "race to the bottom" as far as social policies are concerned. If internationally mobile investment is to be attracted, governments must pursue an agenda of low taxation, low inflation and flexible labor markets (Mishra 1999). The welfare state must be residualized as a result of reductions in public expenditure, forcing a move to more individual responsibility and private provision (Holden 2003: 306).

The competing logics of collective organizations and the promotion of capitalist development are shifting the focus of "state intervention" from forms which "decommodify" those activities pursued by the state (which organize essentially domestic socio-economic activities along non-market lines) to those which "commodify" or "marketise" both state economic activities and the other elements of state structure too (Cerny 1990: 53). The state is thus becoming "a commodifying agent" rather than a "decommodifying agent," a return to the role it played in the emergence of capitalism in the post-feudal period (Cerny op. cit.: 230). The dividing line between public and private is thus being "eroded," and yet "paradoxically, the total amount of state intervention will tend to increase, for the state will be enmeshed in the promotion,

support, and maintenance of an ever-widening range of social and economic activities."

The main questions is whether the state corporatist arrangements in the Nordic and East Asian contexts are changing as well owing to the encroachment of various interest-based groups who directly or indirectly—externally or internally—attempt to influence or even erode the autonomy of state policymaking. What are the social and political economic arrangements in terms of labor market regulation and social welfare?

Corporatism with Labor (The Nordic Model)

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). Korpi found at least five types of workingclass organization and control in the capitalist countries during the postwar period 1946-1979. What is of interest here is that based on Korpi's data there were great differences between countries in this respect. This might imply that based on historical and empirical evidence there are more roads to social welfare than we might expect, and it also provides some leverage to the argument that East Asia consists of many different societies and hence different types of working-class pressures may result in varying social welfare models. This is a fact that is confirmed in a number of studies by Gösta Esping-Andersen (1996), who initially described the so-called "three worlds of welfare," but is now more inclined to talk about four or even five models.

Related to this, the characteristic of the Nordic model is that although it emphasizes individual self-realization, it is at the same time characterized by a high degree of social trust and trust or confidence in common institutions, such as the system of justice, public administration and the institutions of the state (OECD 2011). This is probably also one reason why corruption historically speaking has been low, and at least this partly can explain why Denmark scores high on the happiness index—although there are many other factors such as leisure time and access to health.

The Nordic model is based on the principle of universalism, which strives to keep unemployment at low levels and includes women in the labor force. Until fairly recently social benefits have been disbursed to all regardless of social status and not exclusively related to position in the labor markets. It is exactly this aspect which makes it different from the Anglo-Saxon model, which is based on the neo-liberal principle of meanstested aid. This means that it only supports 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. The post-war model of Nordic corporatism became a rough synonym for the social democratic welfare state. In Weir 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 has been 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 United States is the combination of separation of powers at the center with federalism. In Sweden, in contrast, the state is centralized and has a unitary nature, which includes major interest groups; this increases 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 clearly shows that there is not one model or convergence in the organization of different types of corporatism, but many types in terms of social and labor market policies.

For instance, one study notes a striking difference between macroand micro-corporatism, where the first is exemplified by Sweden 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 or company-based labor, sometimes bereft of basic labor rights as defined by the International Labour Organization. Such a society is dual, whereas Nordic countries in the European context are homogeneous and labor market relations, although with important exceptions, have been characterized by a mutual respect for negotiated contracts among both employers and unions. It is also important to note that political legislation and intervention have played a more reduced role in regulating labor market relations than voluntary agreements between strong unions and employees' organizations that are overseen by the state.

Corporatism in the Nordic case is based on co-operation while in the East Asian case it is based on co-optation and the 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 networking between them. The state has to establish close consultation and collaboration within the bureaucracy, and 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 receive their mandate from the state rather than from their members. Only after this has taken place will policy networks emerge that are aimed at problem-solving rather than confrontation or exclusion.

As Schmidt and Hersh (2012) note in the Danish context, the mode of functioning of this system of industrial relations is based on the regulation of conflicting interests between wage earners and employers in the context of a capitalist labor market. In praxis, this means that agreements on a basic framework for wages and working conditions are reached between the different organizations for a period of two years at a time. Thereafter, all major groups of employees are expected to accept and conform to the results of these negotiations. These institutionalized labor market relations form the dominant aspect of the so-called Danish model, which has played a determining role in shaping the social and political evolution of Danish society for the past century.

They further emphasize (Schmidt and Hersh 2012) that the foundation of the welfare state has been based on the workings of this collective bargaining system as an arena of consensus-making, whereby conflicts of interest between the different actors of the labor market can be resolved or reduced. The mode of operation of this consensus-seeking institution has contributed to a high degree of stability by creating economic growth, social well-being and reducing political contradictions. Nevertheless, it would be inaccurate to portray Danish society as inherently more harmonious than other capitalist formations. At the same time, though, the institutional innovation of collective bargaining has contributed to a reduction in potential conflicts and disharmony. A student of the Danish labor market put it this way: "This constant capacity for releasing tensions, defusing threatening situations and breaking crippling deadlocks has made the relationships between the social partners the main pillar of the Danish model" (Petersen 1997).

The central axis around which the Nordic social model is centered is the common negative view of unequal power relations between individuals in general and hierarchical institutions in particular, such as the traditional patriarchal family and demeaning charitable organizations in civil society. In this regard, the Nordic model differs from both its Anglo-American and continental European counterparts and East Asia. There is also an element of social solidarity, but it should be seen in conjunction with the focus on individualism that defines social relations and political institutions in the Nordic countries. According to this interpretation, it is precisely the fundamental harmony between the Nordic social contract and a combination of individualism, a strong welfare state, adherence to the rule of law, low levels of corruption, gender equality and broad social trust which have shaped the success stories of Northern Europe.

'Corporatism Without Labor' in East Asia

Traditionally the peak associations of large corporations in East Asia have interacted in a highly corporatist fashion with government ministries. These complex arrangements depend upon a stable long-term working relationship with the state bureaucracy (Unger and Chang 1995: 36).

Although the general mode of "corporatism without labor" in East Asia does not appear conducive to emulation of the Nordic model, there have been important changes recently. In South Korea and to a lesser degree in other East Asian countries, the experience shows that this depends on the ability of labor to organize and maybe even more importantly to institutionalize a political party, which can represent and defend the rights of workers and the type of welfare state best suited to each country. The old-style corporatism was based on state structuring of interest representation through a quasi-representational monopoly. What the new-style corporatism will be based upon remains to be seen, but it seems that there is a broad divergence of East Asian models, with Japan, South Korea and Taiwan slowly adopting fairly universalist "social insurance" models (Carney 2010: 193), while Taiwan and South Korea recently approved universal health insurance (Kim 2010: 415). These improvements are very much the accomplishment of public pressure from organized labor and an organized civil society.

The privileging of family as the primary institution for support of such policies is hard to sustain in the face of contemporary pressures, where population mobility stimulated by urbanization and global forces serves

to fragment and weaken the capacity of extended families to bear such burdens. The same forces also challenge the principle of social "harmony" between classes and genders on which Confucianism rests (Carney 2010: 199).

Asher and Nandy (2008) argue that East Asia's accumulation of budget surpluses and inability to consider the reasons for low fertility rates risk the region becoming a "geriatric poorhouse." They further refer to Singapore's commitment to "social Darwinism," concluding that "[t]he current social protection system in Singapore is an outcome of conscious policy choices, and cannot be attributed to the globalization phenomenon" (Carney 2010: 200). Ultimately, social sector policies exhibit a revealed preference concerning the overall vision of society. As Bowring (2007 cf. Asher and Nandy 2008: 58) has argued, "investment in children through government spending may provide a much better return than accumulating vast fiscal surpluses to be invested in low yielding foreign assets or unnecessary infrastructure. There is a dumb arrogance in East Asia's approach to excess savings and its inability to face up to the reasons for its abysmal fertility rates. The two are linked. That must change if the whole region is not to be a geriatric poor-house."

Until quite recently, East Asian leaders deliberately encouraged economic growth by emphasizing international competition through a neomercantilist export-led strategy and avoidance of social welfare programs. This essentially anti-entitlement attitude laid the platform for a stable societal order based on political ideology and a specific set of social values and principles of social harmony between class and genders on which Confucianism rests (Carney 2010: 199). Policymaking in this regard promoted a political culture which claimed that public welfare reduces productivity. 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 in general neutralize labor and oppositional policy groupings. This particular strategy has been implemented either through co-opting, repressing or linking high growth and increases in employment opportunities with control by the government.

The Confucian concept of harmony has been used as an excuse for "control" and anything that threatens paternalism (Deyo 1989), and authoritarian social relations has been presented as something that threatens "harmony." This also implies that what threatens this control will threaten civil harmony, and in this way it seems that Confucianism and

its concomitant parameters have been used as a tool to minimize conflict, labor unrest and union agitation, or in many cases restrict trade union action and control unions, as well as avoid union multiplicity. In short, "social harmony" as a disciplining tool is also used to establish moral authority, and as a political cultural matrix and discourse which attempts to avoid conflict. It is furthermore used by functionalist cultural researchers who explain East Asia's economic success with reference to human and social factors shaping organizational life. They claim that national cultural traits and social organization contributed to the success of the developmental state. "On the basis of this, it was argued that an almost 'natural' positive connection exists between organizational coherence, social harmony and financial achievements.... Social harmony is here to be understood as mutually accepted and maintained, conflict-free social relations...." (Jonasson and Lauring 2006: 34).

As with family, East Asia tends to be organized with a hierarchical stratification as the foundation of the social order. It is the vertical relationship between superiors and subordinates that guides all human interaction, and social coherence and harmony are dependent on the observance of these relationships. A related aspect of Confucianism is trust between superiors and subordinates. According to this viewpoint, when acting within the hierarchical framework East Asians have an intuitive feeling for social balance and harmony. The Confucian ideology thus supports the maintenance of harmonious relationships. Furthermore, the expressed empathy between group members is considered necessary in order to build satisfactory social interactions. In other words, social harmony among employees is crucial for maintaining smooth relations in the hierarchically structured East Asian organizations (Jonasson and Lauring 2006).

Today, Confucian influences remain important, with strong assumptions of family, market and voluntary sector responsibility rather than state responsibility, strong expectations of women's obligations without compensating rights, a hierarchy of gender and age, and a highly distinctive, vertical family structure, in which women are subject to parents-in-law. In rapidly changing economies and societies in East Asia and the Nordic region, these social characteristics are changing too. But they still put powerful pressures on women to conform to expectations about care, while weakening their rights to security and support. Nowhere do welfare states' promises bring gender equality in practice. Even in Scandinavian countries women earn less, care more and have less power than men (Pascall and Sung 2007).

The family's key role in society as a provider of social welfare is common to East Asian welfare systems. Welfare systems have been described as "productivist," emphasizing economic objectives with strong education and health services to reproduce human resources, or Confucian, to emphasize the role of the family in welfare and of Confucian values in social harmony. Confucian values may be seen as a cover for welfare states pursuing economic growth at the expense of everything else, in particular real Confucian values of social solidarity. While welfare states everywhere have a place for family responsibility, East Asian ones draw on Confucian values to give families a special responsibility for social welfare (Pascall and Sung 2007: 5). The emphasis on the family indicates a gender bias and is reflected in the comparatively much lower female labor market participation rates in East Asia compared with the Nordic region (about 40% and 80%, respectively) (OECD 2011). It is also interesting to note that the Organisation for Economic Co-operation and Development stresses that countries with a more equal income distribution, as measured by the Gini coefficient, tend to have higher social spending and more mutual trust.

However, as Kim (2010: 416) notes, export subsidies and preferential credits to big companies in East Asia gave "the wherewithal, and tax exemptions gave the incentive to offer various enterprise welfare programmes to their core employees: education, housing, health care, recreation, retirement, etc." It is confirmed by a number of studies that enterprise welfare in Japan and Korea was systematically fostered by the state to forestall popular demand for universalist welfare policies. In this sense, enterprise welfare in East Asia qualifies as "surrogate" social policy, which is not typically regarded as social policy but is nonetheless intended to serve the same or similar purposes (Kim ibid.).

Conclusion

This chapter has argued that the tensions between harmony and disharmony can be deducted through an analysis of how state bureaucracies and elites may use a variety of norms, values and policies in order to promote an agenda conducive for economic growth and enhancement of individual as well as collective wealth and welfare.

It seems that periods of social cohesion coincide with those of economic growth, and it may be posited that it is economic growth, and the attendant possibility of upward social mobility, that gives people a stake in society, that comprises the "glue" that binds heterogeneous societies

together (Green et al. 2009: 84–85). This may also explain partly why in the more homogeneous Nordic region the tripartite mode of bargaining holds considerable resonance, but in contrast the opposite seems to be the case in the East Asian region, where labor seems willing to sacrifice privileges if economic growth is reduced or even shrinks, as seen during the recent financial crisis (Schmidt and Hersh 2012). However, levels of trust in institutions remain high and levels of organized labor and civil society groups' social engagement also appear to be high.

In contrast, the World Values Survey shows that Japan is among the countries with the lowest scores for both passive and active civic participation. Using data from the Asianbarometer surveys on countries including South Korea and Taiwan, it may be seen that there is a relatively low level of associational membership in these countries. The most popular social groups are identity-based groups—such as alumni associations, sports and recreational groups or religious groups—that tend "to emphasize primordial identities rather than economic interests" and are "likely to encourage in-group solidarity or the 'dark side' of social capital." Park and Lee (2007) also report weak or no correlation between associational membership and social trust in these countries, and no significant relationship with reciprocity and citizenship norms (cf. Green et al. 2009: 85).

It is interesting to note that the levels of trust in South Korea and Japan are much lower compared with the Nordic countries and even lower in China, where there seems to be widespread mistrust especially with local governance but a much higher score when measured at central levels of government.

This chapter has furthermore revealed a corresponding and gradual move away from the state orchestrated social engineering of Confucian welfare in South Korea and Taiwan to a more universal type of social welfare state, while China still seems to emphasize Confucian family-based welfare, although the rhetoric points to a harmonious society. At the same time, and paradoxically, it seems that Nordic welfare is undergoing a gradual change towards a competition or workfare state with a reduction in universal social entitlements.

This is partly related to changes in corporatist arrangements in both regions. Although there are differences, there seems to be a slow convergence towards a more lean and mean type of social welfare provision and labor market regulation policy, which is also the result of changes in, and dependency on, global capitalism itself. The real question is whether this convergence is the result of politics and ideology or is a requirement of global capitalist change.

NOTES

- 1. Here including Japan, China. Taiwan and South Korea but with some reference to Singapore as well.
- 2. Including Norway, Sweden, Denmark and Iceland.
- Social policy is here understood broadly as social security, health and education.
- Exactly the opposite of the promises of neo-classical theory and proponents of neo-liberalism.

REFERENCES

- Anderson, Benedict (1991) Imagined Communities: Reflections on the Origin and Spread of Nationalism. Revised Edition ed. London and New York: Verso.
- Arrighi, Giovanni (2007) Adam Smith in Beijing: Lineages of the Twenty-First Century. New York: Verso.
- Asher, M. and Amarendu Nandy (2008) Singapore's policy responses to ageing, inequality and poverty: An assessment, International Social Security Review, Vol. 61, No. 1.
- Bienefeld, Manfred (1993) Financial Deregulation: Disarming the Nation State, Studies in Political Economy, 37, Spring.
- Carney, Terry (2010) The Future of Welfare Law in a Changing World: Lessons from Australia and Singapore, Sydney Law Review, Vol. 32: No. 193.
- Cerny, P. (1990) The Changing Architecture of Politics: Structure, Agency and the Future of the State. London: Sage.
- Chang, K. (1997) The Neo-Confucian Right and family politics in Korea: the nuclear family as an ideological construct, Economy and Society, Vol. 26, No. 1.
- Danford, A., & Zhao, W. (2012). Confucian HRM or Unitarism with Chinese Characteristics? A Study of Worker Attitudes to Work Reform and Management in Three State-Owned Enterprises. *Work, Employment and Society*, 26(5). pp. 839–856.
- Deyo, Frederick (1989) Beneath the Miracle: Labour Subordination In East Asian Development, Berkeley: University of California Press.
- Esping-Andersen, Gösta (ed.) (1996) Welfare States in Transition. National Adaptions in Global Economics, UNRISD and Sage, London.
- Frank, A.G. (1998) ReOrient: Global Economy in the Asian Age. Berkeley: University of California Press.
- Galbraith, James K. (1997) Preface, New Political Economy, Vol. 2, No. 1.
- Green, A. et al. (2009) Regimes of Social Cohesion, Centre for Learning and Life Chances in Knowledge Economies and Societies, LLAKES Research Paper 1.
- Ham, Peter van (2010) Social Power in International Politics, London: Routledge.

- Holden, Chris (2003) Decommodification and the Workfare, State, Political Studies Review, Vol. 1, 303–316.
- Hoogvelt, Ankie (1997) Globalization and the Postcolonial World, London: Macmillan.
- Jonasson, Charlotte and Jakob Lauring (2006) Rethinking the Harmonious Family: Processes of Social Organization in a Korean Corporation. Copenhagen Journal of Asian Studies 24 (2).
- Kim P.H. (2010) The East Asian Welfare State Debate and Surrogate Social Policy: An Exploratory Study on Japan and South Korea, *Socio-Economic Review*, Vol. 8, pp. 411–435.
- Koh, Tommy (1998) The Quest for World Order. Perspectives of a pragmatic realist, Singapore: Times Academic Press.
- Korpi, Walter (1980) Social Policy and Distributional Conflict in the Capitalist Democracies: A Preliminary Comparative Framework, West Euroepan Politics, Vol. 3.
- Kwon, Keedon (2007) Economic development in East Asia and a critique of the post-Confucian thesis, Theory and Society, Vol. 36.
- Mishra, R. (1999) Globalization and the Welfare State. Cheltenham: Edward Elgar.
- OECD (2011) Society at a Glance 2011 OECD Social Indicators, www.oecd. org/els/social/indicators/SAG
- Petersen, Kåre F.V. (1997) "The Danish Model under threat?" in *EIROnline: European Industrial Relations Observatory On-line* http://www.eurofound.europa.eu/eiro/1997/08/feature/dk9708122f.htm.
- Park, C.-M. and Lee, S. G. (2007) Are Associations the Schools of Democracy across Asia? Asian Barometer Project Office National Taiwan University and Academia Sinica. Available at http://www.asianbarometer.org/newenglish/publications/workingpapers/no.38.pdf.
- Pascall, Gillian and Sirin Sung (2007) Gender and East Asian Welfare States: from Confucianism to Gender Equality?, Paper for the Fourth Annual East Asian Social Policy research network (EASP) International Conference, 20th–21st October, 2007.
- Rodan, Garry (1995) Ideological Convergences Across East and West: The New Conservative Offensive, Development Research Series, Working Paper No. 41, Aalborg, Denmark: Research Center on Development and International Relations.
- Sander, A., Schmitt, C., & Kuhnle, S. (2010). Towards a Chinese Welfare State. Tagging the Concept of Social Security in China, The Perspective of the World Review, volume 4, no. 2, August. http://ipea.gov.br/agencia/images/stories/PDFs/rtm/140221_rtmv4_n2_ingles_cap3.pdf
- Schmidt, J.D. and Hersh J. (2012) The Danish Flexicurity Model in Distress: The Audacity of Austerity, paper for the Panel: "The Global Impact of the Financial

- Crisis: Social and Political Impacts", XXII World Congress of Political Science, The International Political Science Association, 8–12 July, Madrid, Spain.
- Schmidt, J.D. (2010) A Cacophony of Crises: Systemic Failure and Reasserting People's Rights, Human Geography, Vol. 3, No. 1, Bolton, MA.
- Schmidt, J.D. (2008) 'China's Soft Power Diplomacy in Southeast Asia', Copenhagen Journal of Asian Studies, Vol. 26, No. 1.
- Schmidt, J.D. (2006) Flexicurity, Casualization and Informalization of Global Labour Markets. In: Globalization and the Third World: A Study of the Negative Consequences. ed. B.N.Ghosh; Halil M.Guven. Houndsmills, Basingstoke, Hampshire and New York: Palgrave Macmillan, 2006. p. 129–147.
- Schmidt, J.D. and Hersh J. (2000) Globalization or the Coming-of-age of Capitalism in Schmidt, J.D. and Hersh, J. (eds) Globalization and Social Change, London & New York: Routledge.
- Schmidt, J.D. (2000a) Neoliberal Globalization, Social Welfare and Trade Unionism in Southeast Asia, in B. Gills (ed.) Globalization and the Politics of Resistance, London: Macmillan & New York: St. Martins Press.
- Schmidt, J.D. (2000b) "Restructuring Social Welfare in East Southeast Asia: Corporatism with or Without Labour" paper for the International Conference of ASEM/World Bank/KSSA, November 30th December 1st, 2000, Seoul, South Korea: Flexibility vs. Security? Social Policy and the Labour Market in Europe and East Asia.
- Shin, Chang-sik and Ian Shaw (2003) Social Policy in South Korea: Cultural and Structural Factors in the Emergence of Welfare, Social Policy & Administration, Vol. 37, No. 4, August.
- Unger, D. and Anita Chang (1995) China, Corporatism, and the East Asian Model, The Australian Journal of Chinese Affairs, No. 33, pp. 29–53.
- Wei He (2010) Study on Evaluation of harmonious labor relations of Chinese private enterprises, Paper for the 2010 Second International Conference on Modeling, Simulation and Visualization Methods, https://doi.org/10.1109/WMSVM.2010.22, http://ieeexplore.ieee.org/stamp/stamp.jsp?tp=&arnumber=5558341.
- Weir, Margaret and Theda Skochpol (1983) State Structures and Social Keynesianism: Responses to the Great Depression in Sweden and the United States, International Journal of Comparative Sociology, Vol. 24.

Section IV Challenges in IPE – Focus on Foreign Policy

India

in the Contemporary World

POLITY, ECONOMY AND
INTERNATIONAL RELATIONS

Editors

Jakub Zajączkowski . Jivanta Schöttli . Manish Thapa

India-China Encroachment and Positioning in South East Asia

Johannes Dragsbaek Schmidt

Sino-Indian Relationship

China and India share a largely reactive relationship despite a long history of growing interdependence and brief occasional encounters. Neither of the two emerging economies has developed a grand strategy towards the other. Two observers describe the state of affairs as 'an unshakeable and largely unprofitable preoccupation with the past on the Indian side, and an equally intense preoccupation with domestic consolidation on the Chinese side, has left the relationship under-tended'.¹ Nevertheless, the relationship between Asia's two great powers can best be characterised as one of global cooperation on transnational issues, especially vis-à-vis the 'West', geostrategic rivalry at a regional level in the form of growing commercial exchange and, in some cases, bilateral competition. These contradictory processes are complicated by a certain degree of asymmetry between them, as China does not appear to feel threatened by India while the Indian political class seems to project a sense of insecurity in coming to grips with China's rise in the world system.²

While both nations' emergence in the world system is incontestable, they still suffer from inherent weaknesses. With some of the world's highest levels of inequality and weak prospects for reconciling growth with equity, the ascendancy of both countries is fragile and filled with uncertainties. Seen in this light, it is indeed questionable whether they will be able to reconfigure the international order with their accumulating might.³ In China, the government's admission of growing problems caused by uneven and unequal development has been reflected in the call for a 'socialist countryside' and, more recently, a gradual approach to equitable and balanced growth with several new social policies in the pipeline.

3

Similar problems are also acknowledged by the Indian government where the Eleventh Five-year Plan aims at 'inclusive growth' which has been followed by an ambitious social protection scheme called National Rural Employment Guarantee Act (NREGA).

The world's two most populous countries, China and India, accounting for roughly 40 per cent of the 6.5 billion-plus people on earth, are not merely the two fastest growing major economies in the world at present, but are among the few countries that have continued to expand at a time when the economies of most countries have contracted. They are defined by contrasting models of development, regime form and competition not only for capital, resources and markets, but also for legitimacy in the global arena. As far as their interaction with the external world is concerned, they both believe in a 'rigid defence of the Westphalian system of national sovereignty' and see modernisation in nationalist terms.⁴

Geoeconomically, China's economy is roughly three and a half times bigger than that of India. The gross domestic product (GDP) measured in United States (US) dollars in 2008 for the two countries stood at \$4.2 trillion and \$1.2 trillion, respectively. China is now India's largest trading partner, with bilateral trade having increased from under \$3bllion in 2000 to almost \$52 billion in 2008, and it is growing at almost three times the rate of United States—China trade.⁵

China's rise to global player status is evident. Its growing influence has been prevalent in climate negotiations and in its response to the aftermath of the 'Great Recession', as it poured billions of dollars into domestic recovery projects, thereby avoiding a stagnating economy. It also spent many tens of billions more on raw materials and new investments in Africa, Latin America and South East Asia, thus helping to speed up recovery.⁶

Driven by the need for raw materials, natural resources, energy, and markets, China is using its economic leverage to acquire assets, secure long term contracts and boost its political standing through loans and aid to countries around the world. China's outbound investment for mergers and acquisitions in 2009 reached \$46 billion, five times the figure of \$9.6 billion in 2005.

The global financial crisis, which had its origin in failed market transactions in the US in 2008,7 created unease in China with regard to its enormous trade surplus and currency reserves. One idea with far-reaching consequences for its foreign policy was the proposal of a Chinese 'Marshall Plan' for Asia, Africa and Latiń America. It was subsequently criticised

by a number of observers for its narrow focus on exclusively selling more goods to emerging markets as a way to reduce China's overcapacity problems. Interestingly, the critique was not so much against the plan but an attempt to increase attention to the need of jobs for locals and raising living standards internally.

This is but one sign that China's foreign policy is changing, and not entirely by choice. Since 1996, the New Security Concept (NSC) has put emphasis on soft power diplomacy through dialogue and cooperation.⁸ It is a concept established on the assumption of common interests and seen as conducive to social progress. Its focus lies on ideas of mutual trust, mutual benefit, equality, and coordination. The NSC aims to surmount differences, to increase mutual trust through dialogue, to resolve disputes through negotiations, and to promote cooperation through security. However, an opposing critical school in Beijing calls for a more bold and assertive foreign policy, matching China's status as a world power.⁹

The challenge for China is its policy of non-intervention. This prevents Beijing from taking positions on pertinent issues threatening China's national interests and legitimacy. The examples are manifold such as those involving authoritarian regimes, rights and vested interests. The strategies of 'peaceful rise' and non-intervention have so far enabled China to avoid entanglement in complex internal political issues of foreign countries. However, this is considered to be a handicap to the projection of power by international relations theories as 'it also limits the country's policy options in trying to exert its weight in the emerging world'. As a matter of fact, it is exactly this principle of non-infringement on the sovereignty of other countries which seems to be changing in China's new foreign policy.

A similar evolution can be seen to be taking place in India's foreign policy, which made a U-turn after the dissolution of the Soviet Union and the end of the Cold War. India's support for the Non-Aligned Movement and Third Worldism was replaced by a more flexible and pragmatic but also self-confident posture. This change has been coupled with a gradual shift towards a more neo-liberal economic policy, both domestically and externally, with greater reliance on foreign trade. Shifting government statements clearly indicate a wish for global power status encompassing India as one pole in a multipolar world. The continuing quest of Indian decision-makers for hegemonic ascendancy has been supported by the country's expansion of its military, economic and technological capabilities, as well as the continuing hostility with neighbouring Pakistan.

lling more icity problan but an nd raising

3, and not C) has put peration.8 erests and tual trust. surmount e disputes security. bold and ver.9 prevents ; China's 1 as those strategies to avoid ountries.

of power

's policy

a matter

ereignty

foreign

foreign ion and vement atic but gradual ılly and rnment mpassuest of ported logical kistan.

India's gradual rise is most evident in the field of security, where strategies of co-optation and cooperation have been employed. As an advanced nuclear power with a military comprising more than one million men and being one of Asia's biggest weapons buyer, India is at the forefront of the Asian arms race, facing serious problems with the surrounding environment.

According to one observer, not unlike the case of China, there are two competing Indian approaches in the country's current foreign policy: 'post Nehru' and 'India's ascendancy in the world system'. The first is Third World oriented and puts priority on the role of the United Nations (UN) and world unity as well as being highly critical towards the US. The second, 'energised by India's rapid economic growth and higher visibility on the world stage, concentrates on New Delhi's triangular relations with Washington and Beijing with an eye toward increasing India's relative power, mainly through economic growth and innovation'. 12 The above-noted schools of thought correspond closely to, on the one hand, the 'traditional nationalist' approach and, on the other, the 'pragmatic' approach to foreign policy. Some analysts see Indian foreign policymakers as attempting to 'split the difference' by mouthing traditional nationalist rhetoric while pursuing a largely pragmatic course which is also illustrated in policy shifts at the regional level.

India's regional policy has moved into greater emphasis on soft power strategies. The 'Gujral doctrine' relies on the principle of non-reciprocity, stressing that India not only has a bigger responsibility, but should give more to the smaller neighbours than she should get back. This doctrine echoes domestic changes in India, especially the post 1991 economic liberalisation. This shift towards soft power was not caused by altruistic impulses, but was due to the fact that India's hard power approach of the 1970s and 1980s was seen as ineffective. The new doctrine also impacts the relationship with China as both countries share borders and regional and global power projections.

Barely hidden in the relationship with China is the growing military rivalry. Although India shares common security interests with China and both countries advocate a vision of a multipolar world as a counterweight to US hegemony, 13 the situation is at the same time fluid and unpredictable. The US-led wars in Iraq, Afghanistan and Libya, its proxy wars in Pakistan and threats against Iran are determined by Washington's wish to dominate the key strategic regions of the Middle East and Asia, to the exclusion of its rivals, principally China. The overall strategic aim of the US is to encircle China with a series of alliances and bases, stretching from Japan, South Korea, Singapore, Australia, and India to Afghanistan and Central Asia.

China has responded by a moderate expansion of its own military capabilities, including the moves to launch a blue-water navy to secure shipping routes to the Middle East and Africa, and security ties with Russia to counter US influence in Central Asia. Although it seems that geopolitics remains the most important trigger of security relations in the region, with the quest for oil and energy at its forefront, geoeconomics and the present economic crisis are increasingly interacting with and in some cases, replacing hardcore realist goals and giving space to more pragmatic solutions.

India's foreign policy elites perceive an upcoming Sino-US confrontation as China's rise as a global power continues, and shows awareness of Washington's needs for Delhi as an ally against Beijing. Although this perspective plays a defining role, Indian foreign policymakers are also worried about US policies in South and East Asia. American strategy in the region is seen as downplaying India's status as a pre-eminent power and counterweight to China and placing primacy on a US alliance with Pakistan. This evolution has led to the near total isolation that India faces today in a region with surrounding countries facing state failure. At the same time, powerful Indian lobbyists are trying to whip up war hysteria and xenophobia over China. Retired generals and top bureaucrats residing in Delhi suddenly become 'strategic thinkers' and begin networking with American think tanks, 'while probing a new lease on life as brokers or commission agents for arms manufacturers'. 14 Others try to influence Delhi to be more proactive on key foreign policy issues, even those in India's own neighbourhood, such as in Myanmar and Sri Lanka. One such observer has criticised New Delhi for issuing 'bland propositions' that 'can convey indifference to the plight of subjugated people'. She challenges India's leaders to either 'stand with people or with dictators'. 15

According to neorealist hardliners in Delhi, it is because of the tensions with China that the Indian ruling establishment still holds onto the vision of a showdown with the Chinese. Both states are populous nations competing with each other and with other countries for resources. Many lobbyists and policymakers in New Delhi share the perception that it is far easier to reduce the side effects of global resource competition by working to contain China's impact, even if it compromises India's carefully constructed identity as the world's largest democracy and a harbinger of

tching nistan

ilitary ecure with s that n the mics and

nore ntass of this also y in wer vith ices the eria iding ers ice in ch an es

1-

10

15

y

it

y

human rights. Some of the reasons behind Indian animosity to Beijing are related to the tensions with Pakistan and the war in Afghanistan and Delhi's continued quest for a seat on the UN Security Council.

As an observer notes, '[a]n encircling military ring that includes India has been created around China'. He further notes that, New Delhi has been involved in the framework of military cooperation with the US and its allies, aimed at containing China. Under this framework, India has joined Japan, the US, and Australia in forming a de facto 'Quadrilateral Coalition' to neutralise China through the establishment of a cordon for its containment that could establish a naval blockade in the event of a war around China's borders. 16 In fact, some analysts see the Indian Ocean region as a geostrategic area for a future confrontation.

The China question has become an issue for students and scholars of international relations who have to differentiate between the real and perceived menaces behind the nation's rise in the world. The projection and role of China on the international scene and world economy is related to the nature of its engagement, which is based on a fundamental internal dilemma, that is, the suppression of the population's wage level in order to export to the West and make its entry in the global economy. This reflects an inferior position (with potential political disorder) rather than a state of strength for participating in the world economy. The tradeoff between the wage level and becoming the workshop of the world is based on an unequal relationship both internally and internationally. It is also questionable whether certain conjunctural features, such as China's funding of a large part of the US deficit can be considered a sign of the country's increasing strength. 17 Or, in other words: 'It may be premature to crack open the champagne. The Asian century is hardly as preordained as most seem to believe'. 18

This is illustrated in China's reluctance to engage more actively in debates and actual reforms concerning global governance and the financial system. China's enormous possession of US Treasuries shows a dependence on exports and potential overcapacity and the need to recycle foreign currency reserves out of China because of the fear of the appreciation of the renminbi. Between 2001 and 2007, the export share of China's output rose from 20 per cent to 36 per cent, an increase that coincided with a rise in the global export share of world output from 24 to 31 per cent.¹⁹ The impact of China's over reliance on exports and dependence on foreign markets is a factor with huge ramifications on foreign policy.

Given the perceived competitive and, in some cases, even adversarial potential of Sino-Indian relations, China expects to find itself pitted against India's national interests, possibly even in concert with the US. For India on the other hand, it is critically important to engage with China's rising power. By not doing so, India's own increasing role as a regional power would be reduced. This would have serious ramifications for India's interests in South Asia and also other parts of the world such as South East Asia, where there is increasing rivalry and competition between Delhi and Beijing. Reinforcing India's contradictory role in this context is the fact that while India has secured a seat at the table, it has yet to both formulate and enforce the rules of the regional architecture of which it is a member. Underlying New Delhi's problematic engagement as a provider of regional security is the fact that it lacks a strategic vision of its regional role. On the other hand, the very diverse set of challenges confronting India in South Asia make it very difficult to adopt overall consistent, universal strategies. The question is whether these geostrategic foreign policy goals and contradictory processes are successful in the case of South East Asia and more specifically in Myanmar.

South East Asia in the Sino-Indian Prism

The discussion of the evolution of the two Asian powers is a precondition for conceptualising and understanding their strategy and rivalry in their near-area. The main objective of this chapter is to examine the implications of these gradual and, in some cases, opposing shifts in foreign policy of China and India in South East Asia. Both countries are increasingly struggling for a hegemonic position in the developing world and especially in South East Asia. This struggle comes in different forms, sectors and countries and is in many cases intertwined in a geopolitical and geoeconomic rivalry.

iı

fi

iı

tl

SC

ig

it

in

w of

It is not always possible to distinguish between traditional security-related rivalry and more state-based or private sector-based competition. As this chapter argues, the rivalry which is unfolding in the South East Asian region is being played out in light of the wider global arena where also the interest and capabilities of the US must be taken into consideration. The rivalry covers manifold dimensions, therefore the analysis must be based on an approach which seeks to explain the interrelated variables, inconsistencies and disruptive effects of India's and China's dramatic rise

even adversarial ind itself pitted ert with the US. to engage with easing role as a us ramifications the world such nd competition tory role in this he table, it has architecture of ic engagement strategic vision t of challenges adopt overall se geostrategic ful in the case

ism

s a precondiy and rivalry examine the shifts in forcountries are oping world erent forms, geopolitical

al securityompetition. South East trena where o considertalysis must d variables, famatic rise and insertion into the global political economy and, more specifically, how this relationship is played out in South East Asia.

This chapter is divided into five sections. In the introduction above, the overall historical and strategic relationship between India and China has been briefly outlined. The second section recaps the theoretical considerations while part three focuses on China and India's encroachment into South East Asia. Part four gives examples of competition and rivalry in energy and related resources between the two Asian powers in Myanmar and finally, the conclusion attempts to project the future situation in the region.

Theoretical Considerations

Critical political economy denotes a dynamic perspective on the interplay between geopolitical and geoeconomic priorities in foreign policy. This approach recognises a certain degree of nation-state diversity, but insists equally that the neorealist focus on national distinctiveness is ultimately misleading to the effect that it loses sight of essential similarities in national models of regulation that are determined by the external imperatives of accumulation. ²⁰ Moreover, the diversity of forms taken by various states conceals a generalised shift away from the Keynesian or other interventionist or regulative models with alleged national/domestic rather than international/competitive orientations. This shift has important foreign policy implications.

The dissolution of the Soviet Union in 1989 spelled the end of the Cold War and thereby the dominance of politics in command and morphing into economics in command. An important post 1989 effect was the shift from the primacy of military power to a greater role for economic power in shaping global geopolitics. Economic structural change has become the epitomisation of globalisation and it challenges 'deeply embedded sociocultural and political structures in critical ways that cannot be ignored, provoking dynamic responses of promotion, accommodation, and resistance'.²¹

No continent benefited more than Asia, as has been illuminated by its dramatic economic rise, the speed and scale of which has no parallel in world history. It may be that while the US is engaged in a number of wars in Asia and the Middle East, it also seems to be losing in the areas of finance, trade and competition and in its attempt to impose Western

'good governance' and human rights. In fact, the shift of economic gravity and international division of economic gains has dramatic geostrategic consequences.

After the end of the Cold War, the concept of geoeconomics (re)gained prominence, denoting interconnectivity and unevenness of economic and commercial opportunities, broader political and international relations, and a blurring of the boundaries of the states' pursuit of their strategic interests, including through military capabilities. This approach is rooted in the recognition of the growing importance of economic factors in international relations. The eclectic and critical political economy approach goes beyond neorealism and liberal international relations in the attempt to provide an understanding of the 'state-society' complex and how the prevailing order has come about. In other words, this approach focuses on the interplay of opposing domestic social forces that defines 'national interests' and denotes the current contradictions in a nation's foreign policy. In some cases, especially in terms of economic strategy, external factors can play a role but it is no longer states as autonomous sovereign units that determine analysis. We have to explore the boundaries of the state in its current and historical dynamic and social change²² and in this way seek an understanding of the underlying and prevailing tensions between geopolitics and geoeconomics in foreign policy.

It is quite obvious then that India's and China's strategies for increasing their presence in the global economy actually reflect the interests of the dominant social groups within the countries. The geoeconomics approach emphasises the importance of integrating China's and India's economic diplomacy in its multifaceted relations with different countries and regions in the context of a rapidly changing world order. The essential question concerns the viability of the capitalist class's ability to gather legitimacy for achieving its ambitions of greater global reach. The question then becomes whether it is possible to establish a social consensus in India and China regarding the expansion and drive towards a more coherent and activist foreign policy in order to become world players and whether that entails a fundamental shift away from pre-existing norms and values in the national as well as the international system.

It is power itself which is becoming more diffuse, diffracted through an increasingly complex, prismatic structure of socioeconomic forces and levels of governance. The result is a hollowing out of the state, even if it still maintains the monopoly of the means of violence over a given territory.²⁴ This development gives space to a plethora of actors and institutions not

least chang chang energ focus Doha of act

The only a global shifts realigred is rapi

aim of of Indi

Why is by conhegement the am scholar: pragma

Thre Asian A for Sou Organis interests political econom Forum

These cerns, wl New De East Asia

mic gravity eostrategic

(re)gained nomic and relations. r strategic 1 is rooted s in interapproach attempt how the 1 focuses national foreign external vereign s of the l in this ensions

reasing of the proach nomic egions estion macy then India erent ether alues

rugh and V. 24 not

least financial capital capable of influencing foreign policy and social change in Asia and the world. Transnational issues, including climate change; terrorism; cyber warfare; migration pandemics; rush to secure energy and resource supplies; and difficulties in sustaining multilateral focus in trade and on economic issues through the completion of the Doha round,25 all open up the foreign policy field and denote a myriad of actors and influences.

The momentous changes in the global economy helped promote not only an economic boom in Asia, but also led to an eastward movement of global power and influence symbolised by Asia's ascendancy. Global power shifts are now being triggered not by military triumphs or geopolitical realignments but by one factor unique to our contemporary world. That is rapid economic growth.

The focus in the following though is more modest in the sense that the aim of the next sections is to examine the rival geostrategic foreign policies of India and China towards South East Asia at the regional level and, more specifically, by analysing Sino-India competition in Myanmar.

Regional Rivalry in South East Asia

Why is South East Asia so important? India and China are assumed by conventional thinking to be locked in a struggle not only for global hegemony, but in the first instance for pan-Asian leadership. Although the ambitions for global hegemony can be ascribed to predictions of scholars and analysts, the rivalry in South East Asia can be analysed pragmatically.

Three competing economic and security organisations — the South Asian Association for Regional Cooperation (SAARC), the Association for Southeast Asian Nations (ASEAN), and the Shanghai Cooperation Organisation (SCO) show the different quests for advancing specific interests. SAARC may be symbolically significant but encapsulates little political or economic substance. ASEAN combines South East Asia's economic concerns with its security needs through the ASEAN Regional Forum (ARF), while SCO primarily remains dominated by Beijing's security interests.26

These regional organisations, however, articulate multilateral concerns, which are greatly shaped by the competing interests of Beijing and New Delhi. India and China thus build bilateral relations with South East Asian nations in order to influence the regional agenda. As a result,

it is the economic strength and to a lesser degree military might of each country that is fuelling the drive for ascendancy in Asia. Although there are several cooperative initiatives between Beijing and New Delhi at bilateral, regional and global levels, they also exhibit a sense of competitive tension with important exceptions such as the Brazil, Russia, India, China, and South Africa (BRICS) initiative and collaboration and speaking with one voice in global governance institutions including the United Nations, Climate Summits and international trade and labour negotiations.

Another area of contestation is the Strait of Malacca, which runs for 600 miles between Thailand, Malaysia and Singapore to the east and Sumatra to the west in Indonesia. In the east it flows into the South China Sea, where the natural resource-rich Paracel and Spratly island groups are contested between China and three member states of ASEAN.

Some estimates show that more than 50,000 ships pass through the Malacca strait annually, transporting 30 per cent of the goods traded in the world, including oil from the Persian Gulf to major East Asian nations such as China, Japan and South Korea. As many as 20 million barrels of oil a day pass through the Strait of Malacca, an amount that will only increase in the near future. More than 50 per cent of India's trade, while more than 80 per cent of China's oil, needs to go through the Malacca Strait. This makes the Strait one of the world's most vital strategic water passages.

The US has conducted annual naval exercises, code-named Malabar with India in the Bay of Bengal, immediately north of the Strait of Malacca, and included 25 warships from five nations: the US, India, Australia, Japan, and Singapore. Japan became the ninth country with which the Indian Army has a bilateral dialogue, joining the US, Britain, France, Australia, Bangladesh, Israel, Malaysia, Korea, and Singapore. More recently, there have been naval exercises involving Japan, the US and also partnership and bilateral and trilateral strategic security dialogues.

b

tl

it

m

h

h

pa

A

th

ar

CC

W

M

With both Chinese and Indian ascendency, combined with the West's withdrawal over the past three decades, South East Asia is once again a chessboard on which the Chinese and Indian pieces are multiplying.²⁷ China and India offer the largest markets and greatest economic spoils, and it would seem a little threat in exchange for simple allegiance. Neither threatens to cut aid or downgrade relations with coercive means, whereas the West, especially the US, does, with demands and conditionalities on economic, human rights, corruption, human trafficking, and narcotics.

might of each ough there are hi at bilateral, etitive tension t, China, and ting with one ted Nations, iiations.

nich runs for the east and South China d groups are N.

through the ods traded East Asian 20 million nount that t of India's 30 through most vital

1 Malabar Strait of JS, India. ntry with , Britain, ingapore. e US and alogues. ne West's again a plying.27 c spoils, Neither whereas ities on rcotics.

Both countries have ambitions in the region and try to fulfil them by employing a variety of strategies and tactics in order to determine the trajectory of the regional order.

Since India initiated the Look East Policy (LEP) in the early 1990s, it has consciously used the external sector as one of the engines of growth. India's LEP was initiated to revitalise the country's old civilisational and economic links with the rest of Asia, particularly with ASEAN, China, Japan, and South Korea. It has resulted in substantially growing economic relations with Singapore, Vietnam and Indonesia.²⁸

Since the initiation of the new policy, India has continued to engage the rest of Asia bilaterally as well as multilaterally.²⁹ Delhi has been a low-key but constructive participant in the East Asia Summit (EAS), launched in Kuala Lumpur in December 2005. It comprises 16 countries, 10 ASEAN members, China, Japan, South Korea, India, Australia, and New Zealand. India is a member of the Asia–Europe Meeting (ASEM); and the ASEAN Regional Forum (ARF) devoted to security issues. It is also a dialogue partner of ASEAN.³⁰

An important recent milestone in India's LEP is the India–ASEAN Free Trade Agreement (FTA), which was formalised at the India–ASEAN Summit in Singapore in 2011. It provides for a gradual elimination of tariffs on 80 per cent of tariff lines by 2015.³¹ For an additional 10 per cent of the tariff lines that are on the sensitive list, the tariffs will be brought down to 5 per cent. However, India's FTA is far more limited than China's and growing from a much lower base. It needs improvement in trade facilitation and in enabling greater export of services.³²

Although India's integration with South East Asia has been primarily market and private sector driven, the government's commercial diplomacy has also played an enhancing role. It is also interesting to note that there has been a domestic political and public consensus on India's LEP. No party has opposed the desirability of closer engagement with South East Asia. One important implication has been a rather strong affiliation with the Indian diaspora in South East Asia, which has functioned as unofficial ambassadors and strengthened ties between relatives, civil society and the corporate sector. The strengthening of the Indian diaspora of 30 million worldwide is an important foreign policy asset, having a positive impact on market-based integration between India and the rest of Asia.

India's signing of comprehensive economic agreements with both Malaysia and Japan show the seriousness of the pursuing of its 'Look

East' policy. In a spate of recent regional engagements from Indonesia to Vietnam, Indian Prime Minister Manmohan Singh has made it clear that his government's foreign policy priority will be East and South East Asia, regions poised for sustained growth in the 21st century. As one commentator notes, India is trying to court all states in an attempt to counter China in the region. 'It remains to be seen, however, if India can live up to its full potential'.33 The deepening of investment links prompted by the FTAs is already visible. From 1970 to 2010, Indian investors initiated 120 projects in Thailand with investment capital of 22.5 billion bahts.34 More than 2,000 Indian companies based in Singapore intend to expand into East Asia. Information Technology Companies such as TCS and Satyam have made Singapore their regional headquarters. Tata Steel has acquired NatSteel of Singapore with affiliates all over East Asia, Millennium Steel in Thailand and is establishing a Greenfield steel plant in Vietnam. Indian State-owned Enterprises (SOEs) have investments in gas fields in Myanmar. Indian companies have invested in Indonesian coal mines and automobiles among other industries with total investments of over US\$1 billion.

China is also making headway in East and South East Asia thanks to its soft power diplomacy,³⁵ through its prime engagement with the Greater Mekong Subregion (GMS) comprising Cambodia, Laos, Myanmar, and Vietnam, as well as Thailand and two Chinese provinces, Yunnan and Guangxi. China's involvement in the polities and economies of mainland South East Asia has been overwhelming. About US\$11 billion has been injected into infrastructure investment in the GMS region since 2000, with one-third coming from the Asian Development Bank (ADB). China's encroachment into South East Asia consists of a conscious mix between official development assistance, foreign direct investment (FDI) and soft diplomacy. For instance, Chinese aid has been channelled into three economic corridors or multi country transport arteries now being built across mainland South East Asia. 'China openly declares that GMS is the most effective economic mechanism in the region'. ³⁶

However, the Chinese diaspora in the region has been setting a comparative advantage for China. In contrast to the Indian diaspora, those of Chinese of origin in South East Asia tend to be more affluent and many have access to governments and the political elite. In some cases they are the most influential group and have served as a bridgehead for mainland China's diplomatic and commercial efforts to reach Chinese government and business goals in the region.

2

0

C

from Indonesia as made it clear and South East ry. As one commpt to counter idia can live up s prompted by investors initiof 22.5 billion igapore intend panies such as dquarters. Tata over East Asia, ield steel plant investments in ndonesian coal al investments

ia thanks to its th the Greater Myanmar, and , Yunnan and es of mainland llion has been n since 2000, Bank (ADB). conscious mix estment (FDI) annelled into ies now being res that GMS

etting a compora, those of ent and many cases they are for mainland government China is a strong supporter of ASEAN's central position in the region and has developed an extensive bilateral relationship with its member states. Beijing has shown a definite readiness to use its growing soft power, notably economic leverage, national image and the benefits that accrue from non material, ideational and cultural influences as a persuasive means to translate its influence into concrete policy interests.³⁷

On the other hand, ASEAN has sought to restrain Chinese power by enmeshing it in regional institutions. Whereas ASEAN is engaging China to tame the neomercantilist realpolitik that has characterised Chinese foreign relations, Beijing views the same institutions as a way to extend its regional influence and has sought to exclude the US. In planning for the first East Asia Community summit, which was held in Malaysia, China tried to exclude India, Australia and New Zealand, but was overruled by Japan and ASEAN members. As China's regional influence grows, most ASEAN members are working to push against or engage with Chinese power.³⁸

South East Asia and its regional institutions reflect the heterogeneity of the region in terms of economic stage, ³⁹ lack of collaboration and lack of agreement in terms of foreign policy priorities. An interesting example is how these factors evolved in Sino-Indian foreign relations with Myanmar, which is seen as a strategically important country from both sides.

Sino-India Competition in Myanmar

China's and India's foreign policy and encroachment into Myanmar comes without strings or conditionalities concerning economic policy, democracy, human rights, dictatorship, or drugs. All these aspects are considered to be internal matters. What is of importance is the maintenance of a stable and neutral buffer zone between South East and South Asia. Chinese and Indian foreign policies towards Myanmar rely on non intervention and the export of weapons, the provision of loans, grants, development aid and development cooperation. Both countries see strategic and commercial engagement as a win-win situation not only in their quest for energy resources but also for the possible access to deep-water ports. Although some critique is voiced, especially from civil society in India, it is also clear that private and public business and even local government, in the case of China, is at the forefront when it comes to this engagement.

This does not imply that either India or China could rely on the military leadership in power in Myanmar and also not the present democratically elected government. Although China has had a foothold in the country much longer than India, the visit by General Than Shwe in 2004 in Delhi showed that Myanmar was moving towards a more balanced view, flirting with its two giant, competing neighbours. ⁴⁰ India and Myanmar finalised five pacts, including one in the field of security and agreed on close cooperation between security forces of the two countries.

The following briefly sketches first the geopolitical factors, then geoeconomic interests and finally energy security.

The major difference between India's and China's approach to Myanmar is that Delhi seemingly tries to reconcile all decisions at the central level, while China has 'allowed' a certain degree of decentralisation in the decision-making process. China is currently utilising the border regions as centres of growth. In China, cities like Kashgar, Kunming and Chengdu the capitals of Xinjiang, Yunnan and Sichuan provinces are given an independent foreign policy space. Three primary reasons could be identified for this transformation:⁴¹

i) A deliberate policy by Beijing, with a long-term vision, backed by adequate investment at ground level.

Beijing has also 'allowed' these provinces to develop as centres of regional growth. In terms of economic investment and foreign policy, the provinces have been given the space to pursue what is in their best interests, as long as they do not affect China's overall policy. This way, the provinces are able to attract FDI and even pursue independent strategies vis-à-vis their neighbouring regions outside China. Today, Chinese foreign policy towards Myanmar and the Mekong region is pursued by the two bordering provinces.

iii) The provinces seized the opportunity both towards Beijing and the neighbouring regions.

So far, such a strategy is not possible in India's North-east because of what Delhi regards as insurgency and security problems. Nevertheless, Indian relations with Myanmar have gradually become multifaceted, with cooperation in a range of developmental and other projects in the areas of roads, power, hydro-carbon, oil refinery, transmission lines, telecommunications and information technology.

could rely on the he present demoa foothold in the 1an Shwe in 2004 ore balanced view. lia and Myanmar ity and agreed on ountries.

factors, then geo-

1a's approach to I decisions at the of decentralisation ilising the border ar, Kunming and an provinces are ary reasons could

m vision, backed

elop as centres of nent and foreign e to pursue what ot affect China's attract FDI and eir neighbouring n policy towards the two border-

rards Beijing and

1-east because of ns. Nevertheless, nultifaceted, with jects in the areas on lines, telecom-

India's present policy has been termed as one of 'constructive engagement' with Myanmar along three primary objectives:

i) Curbing Chinese influence in the region

ii) Containing criminal and insurgent activities along the India-Myanmar border

iii) Establishing physical contact with South East Asia under the 'Look East' Policy.42

Myanmar's location is central to strengthening India's LEP, energy security and counterbalancing China's influence in South East Asia. India was Myanmar's fourth largest trading partner in fiscal year 2009/10 (after Thailand, China and Singapore), with a total trade record of US\$1.2 billion, up 27 per cent over the previous fiscal year. India is currently engaged in more than a dozen major projects in the country, most of them related to improving Myanmar's transportation and communication links.⁴³

China has also signed numerous pacts on economic and technical cooperation and provided billions in low interest loans. Yangon's collaboration with China has become so close that some claim Beijing now has a big say in Myanmar's domestic politics. Diplomatic sources note complaints about the Chinese dumping cheap goods and demanding special privileges for Chinese companies. China wants to secure stable oil and other energy supplies by land, as well as by sea. Speculation is rife about the idea of building an oil pipeline running across Myanmar to Kunming at an estimated cost of US\$2 billion. Beijing has a strategic interest and motive behind its dealings with the military junta. China trains a significant number of its military and has channelled billions in military assistance to Myanmar; Beijing has aided the construction of roads, railroads, airfields, ports, and dams. 'Equally important are unrecorded Chinese influences: Chinese investment probably the largest of any foreign country is not found in international statistics'.44

Turning to the rapid expansion of trade and commerce between Myanmar and India, this has increased in volume to more than US\$ 1.4 billion in 2011. Trade between the two countries is conducted largely through Indian companies with offices in Yangon. The trade is hampered by the fact that India and Myanmar do not accept direct payment methods because of the banking system; consequently, trade is diverted through a third country, most often Singapore.

Security concerns, US sanctions and instability have led Indian state-run companies like ONGC Videsh Limited to be wary of investing to their full potential in Myanmar. This has worked to the Chinese advantage. At present, India has few private sectors initiatives in Myanmar, such as a Tata truck assembly plant. However, there is a largely profitable computer education centre, in Yangon, run by the Pune-based and government-run Centre for Development of Advanced Computing (C-DAC). According to the former Indian Ambassador Shyam Saran there is still a lot that needs to be done.⁴⁵

Chinese firms are increasing investment, from manufacturing to dams, alongside legions of Chinese traders moving into the country. A Chinese financed river and rail route from Yunnan to the Indian Ocean will hasten exports while cutting import bills and time, especially for Middle Eastern oil. Chinese involvement in Myanmar's military build-up and ports includes the famous String of Pearls that China is creating in the Indian Ocean, including the Sittwe Port for both commercial and military purposes.

Energy security is obviously important. Not only for India and China, but also for South Korea, Thailand, Japan, and the US, all of which are seeking exclusive rights to exploration. Myanmar is rich in oil and has South East Asia's largest natural gas reserves. Official estimates set oil reserves to about 600 million barrels, and total gas reserves to 88 trillion cubic feet which is slightly less than Indonesia's estimated reserves. 46

China needs Myanmar in order to meet its expanding energy needs, and it intends to use the country as a conduit for oil imports from the Middle East and Africa, as well as to provide gas from the Shwe field. To this end, a major refinery in Yunnan is under construction to refine crude oil and natural gas delivered through the pipelines being built across Myanmar by the China National Petroleum Company.⁴⁷ These activities build on long term agreements for the exploitation of hydrocarbon reserves and for the transportation of oil and gas through a 1,100 kilometres pipeline from the port of Kyaukryu in Myanmar to the border city of Ruili in Yunnan. This pipeline will reduce the distance by 1,200 kilometres and make Beijing less dependent on the geostrategic importance of the Malacca straits.

As Sinha has noted, new enormous natural gas finds in three fields in the Gulf of Bengal have become a difficult problem in China-India relations which prevents Indo-Chinese cooperation on energy issues in Myanmar. The current blocks A1 and A3, off the Rakhine coast, are

in stateto their tage. At ich as a mputer ent-run cording lot that

ring to intry. A ı Ocean ally for uild-up ating in cial and

China. nich are and has set oil trillion es. 46 r needs, om the re field. o refine ig built 7 These hydroa 1,100 : border y 1,200impor-

e fields a-India ssues in ast, are being explored by a consortium led by a group of Korean and Indian companies. Chinese companies have bought exploration rights to seven blocks covering an area of over 9.56 million hectares. Already in 2006, PetroChina signed a gas export Memorandum of Understanding with Myanmar. India was caught unaware when Myanmar had agreed to sell 6.5 tcf (trillion cubic feet) of gas from Block A1 to Petro China over 30 years. The end-user agreement with PetroChina came as a surprise to the Indian stakeholders, who had for several years negotiated for a Myanmar-Bangladesh-India gas pipeline.48

Myanmar withdrew India's status as preferential buyer on the A1 and A3 blocks of its offshore natural gas fields, and instead declared its intent to sell the gas to PetroChina. However, India's current setback in the field of energy rivalry is unlikely to lead to a decrease in its attempts to compete with China in other fields. On the other hand, Myanmar has been diversifying its foreign relations and expanding its diplomatic space, allowing itself to be courted by India, Russia and other large countries, so as to reduce its reliance on China. 49

The problem with India's energy interests in Myanmar is that even if it develops A1 to A7 energy blocks or any other offshore Bay of Bengal blocks, how will it be transported back to India? Energy transit is not India's primary concern since she lost out on A1 and A7 blocks.50

Myanmar's decision to sell China gas from the fields where India had invested has been a major disappointment. India's obsession with 'terrorism' in the North East Asia and lack of a coherent strategy with regard to pipelines has worked to the benefit of China. According to former ambassador Rajiv Sikri, 'India's political establishment unfortunately tends to take an accountant's perspective when it comes to infrastructure, looking at the figures and not at the potential strategic benefits of projects'.51 One tends to agree that India has not taken a sufficiently strategic view of its relationship with Myanmar.

At present, India holds a 30 per cent stake in A1 and A3 blocks, which India is also forced to sell to China because of the absence of a pipeline between India and Myanmar. China is purchasing gas from all seven known gas blocks in Myanmar. There is no officially known proven surplus in Myanmar gas blocks for export except in A1 and A3 blocks in Yadana and Yatagun areas.52

The hunt for oil and gas and the bypassing of India could initially be explained by the Chinese veto of a resolution in the UN Security Council in 2007 which called upon the junta in Myanmar to stop the persecution of minorities and opposition groups. China's veto benefited the country's interests and illustrates the importance of both geoeconomics and geopolitics and the need for India to develop a more coherent strategy in the region. However, it remains to be seen how the recent democratic transition in Myanmar will evolve and especially what impact it might have on the rivalry between India and China. What is most certain is the fact that the United States and member countries of the European Union are now taking part in the competition for energy resources and influence in Myanmar.

Some Tentative Perspectives

Seen from India's point of view, it has been complicated to engage more geoeconomically with South East Asia as a whole and Myanmar more particularly. Despite the fact that ASEAN can choose between many competing interests, namely the US, Japan, South Korea, Thailand, and China, it has not been possible for India so far to seize the moment.

Seen from China's point of view there are several pitfalls in the near future. Although successful in its engagement in the region, there is a danger of mounting opposition against Chinese national interests. Another question is whether Beijing can control those actors and institutions that have penetrated the foreign policymaking field traditionally the sovereign domain of the central government.

The evolution of the Sino-Indian relationship does not take place in a geopolitical and geoeconomic vacuum. In this respect, it seems logical that Washington is encouraging India to become a hedge against China's rise in an act of 'old-school-of-balance-of-power politics'. ⁵³ Seen from the perspective of *Realpolitik*, it can be deducted that both the former military leadership and the present democratic government in Myanmar are welcoming Washington in order to counterbalance the Chinese and other dominant powers' influence. This is also the case in the rest of South East Asia, which sees India's growing influence as a welcoming bulwark against China. As the *Financial Times* elegantly formulates it, 'Both the rise of China and renewed US interests are altering the balance of an entente asiatique that has broadly held since the end of the Vietnam War'. ⁵⁴ In this context, the question is where does India fit in? Can India afford to rely on a largely pragmatic and reactive foreign policy in the region, to wait and see or to collaborate more with China or follow the American lead?

These is slo

O tions to th relati meas These trade to in-

to ine It cies of in So energy Both Asia in the relation based in a s

Not

1. D:

2. Vi
Th

3. Pro

4. Jol W

5. Cc *Fo* (ac

s and ategy

cratic night ain is

pean s and

more many l, and it. e is a rests. insti-

onally

ace in ogical hina's m the miliar are other h East gainst tise of itente In this to rely o wait

lead?

These are unresolved issues and as the Myanmar case clearly shows, India is slowly increasing its engagement and even collaborating with other commercial and trading nations in order to seek influence.

On the other hand, a more pragmatic and less confrontational relationship between India and China seems to be emerging, not least due to their increasing economic exchanges. Delhi 'prioritises' its functional relations with Beijing, including efforts to develop confidence-building measures, military-to-military trust and bilateral defence interactions. These links are further deepened through increasing investment and trade and attempts to promote more people-to-people contacts as a way to increase incentives for cooperation.

It is safe to say that the Sino-Indian relationship oscillates between policies of containment and engagement, although rivalries and competition in South and South East Asia and Myanmar in particular illustrate that energy security and the emphasis on oil and gas remain very contentious. Both India and China seem to acknowledge the need for a multipolar Asia and they show an increasing interest in providing collective goods in the global arena and sharing responsibilities. The important mutual relationship between China and India does not by definition need to be based on a zero-sum game if the political elites of both countries invest in a sophisticated approach to their ascendancy in the world system.



Notes

- David Malone and Rohan Mukherjee, 'India and China: Conflict and Cooperation', Survival: Global Politics and Strategy, vol. 52, no. 1, 2010, p. 137.
- 2. Vikas Bajaj, 'India Measures Itself Against a China That Doesn't Notice', The New York Times, 31 August 2011.
- 3. Prem Shankar Jha, *India and China: The Battle between Soft and Hard Power*, New Delhi: Penguin Books, 2010.
- 4. John Ralston Saul, *The Collapse of Globalism: And the Reinvention of the World*, London: Atlantic Books, 2005, p. 207.
- 5. Conn Hallinan, 'China and India Battle Over Thin Air', Foreign Policy in Focus, at http://www.fpif.org/articles/china_and_india_battle_over_thin_air (accessed 27 January 2010).

- 6. Michael T. Klare, 'The Blowback Effect: 2020', at http://www.tomdispatch. com/post/175186/tomgram%3A__michael_klare%2C_the_blowback_ effect%2C_2020/#more (accessed 5 January 2010).
- 7. Johannes Dragsbaek Schmidt, 'A Cacophony of Crises: Systemic Failure and Reasserting People's Rights', Human Geography, vol. 3, no. 1, 2010,
- 8. Johannes Dragsbaek Schmidt, 'China's Soft Power Diplomacy in Southeast Asia', Copenhagen Journal of Asian Studies, Vol. 26, no. 1, 2008,
- 9. Yan Xuetong, 'How Assertive Should a Great Power Be?', International Herald
- 10. Ben Simpfendorfer, 'Beijing's 'Marshall Plan', The New York Times, at http://www.nytimes.com/2009/11/04/opinion/04iht-edsimpendorfer. html?ref=global (accessed 4 November 2009).
- 11. Xuetong, 'How Assertive Should a Great Power Be?'.
- 12. K. Alan Kronstadt, Paul K. Kerr, Michael F. Martin, and Bruce Vaughn, 'India: Domestic Issues, Strategic Dynamics, and U.S. Relations', Washington: Congressional Research Service, 2011, p.12.
- 13. Christian Wagner, 'India's Gradual Rise', Special Issue: Perspectives on the Changing Global Distribution of Power, Vol. 30, Issue Supplement s1, 2010, p. 67.
- 14. M.K. Bhadrakumar, 'The Dragon Spews Fire at the Elephant', Asia Times Online, at http://www.atimes.com/atimes/South_Asia/KJ17Df02.html
- 15. Meenakshi Ganguly, 'India, Arab Democracy, and Human Rights', Open Democracy, 8 March 2011, cited in Kronstadt, et al., 'India', p. 11.
- 16. Mahdi Darius Nazemroava, Geo-Strategic Chessboard: War Between India and China? GlobalResearch, http://www.globalresearch.ca/geo-strategicchessboard-war-between-india-and-china/7453 (assessed 14 October
- 17. Jayati Ghosh, Comment at the Workshop: 'Nature and Implications of the Expanding Presence of India and China for Developing Asia', organised by International Development Economics Associates (IDEAs) and Research and Information System for Developing Countries (RIS), New Delhi,
- 18. Stephen S. Roach, The Next Asia: Opportunities and Challenges for a New Globalization, New Jersey: John Wiley & Sons, Inc., 2009, p. 381. 19. Ibid.
- 20. Hugo Radice, 'Taking Globalisation Seriously', in Leo Panitch and Colin Leys (eds), Socialist Register 1999: Global Capitalism Versus Democracy, London: Merlin Press, 1999 and Hugo Radice, Responses to Globalisation: A Critique of Progressive Nationalism', New Political Economy, vol. 5, no. 1,

omdispatch. blowback

emic Failure no. 1, 2010,

cy in South-10. 1, 2008,

tional Herald

irk Times, at mpendorfer.

uce Vaughn, Relations',

ectives on the ent s1, 2010,

t', Asia Times 7Df02.html

Rights', Open o. 11. etween India zeo-strategic-14 October

cations of the organised by and Research New Delhi,

ges for a New 381.

ch and Colin is Democracy, Globalisation: , vol. 5, no. 1,

- 21. Philip G. Cerny, 'Globalization, Governance, and Complexity', in Aseem Prakash and Jeffrey A. Hart (eds), Globalization and Governance, London: Routledge, 1999, p. 190.
- 22. Robert W. Cox, 'Social Forces, States and World Orders: Beyond International Relations Theory', in Millennium: Journal of International Studies, vol. 10, no. 2, 1981, pp. 126-55; Susan Strange, The Retreat of the State: The Diffusion of Power in the World Economy, Cambridge: Cambridge University Press, 1996.
- 23. Mukul G. Asher, 'Growing Importance of Geo-economics Approach for India', DNA: Daily News & Analysis, at http://www.dnaindia.com/ money/comment_growing-importance-of-geo-economics-approach-forindia_1514295 (accessed 2 March 2011).
- 24. Cerny, 'Globalization, Governance, and Complexity', pp. 190-92.
- 25. Asher, 'Growing Importance of Geo-economics Approach for India'.
- 26. Tarique Niazi, 'Sino-Indian Rivalry for Pan-Asian Leadership', China Brief, vol. 6, no. 4, 2006.
- 27. David Fullbrook, So long US, hello China, India, Asia Times, 4 November 2004, at http://www.atimes.com/atimes/Southeast_Asia/FK04Ae03.html
- 28. Malone and Mukherjee, 'India and China', pp. 145 (accessed 9 September
- 29. Mukul G. Asher, 'Global Financial Turmoil and India's Look East Policy', Asian Management Review, 2008, at http://www.spp.nus.edu.sg/docs/ wp/2008/wp0818.pdf (accessed 7 September 2008); Nagesh Kumar, 'Emerging Regional Architecture in Asia', East Asia Forum, http://www. eastasiaforum.org/2008/09/07/emerging-regional-architecture-in-asia (accessed 7 September 2008).
- 30. Asher, 'Global Financial Turmoil and India's Look East Policy'.
- 31. Kumar, 'Emerging Regional Architecture in Asia'.
- 32. Simon Roughneen, 'India Scores High on Pragmatism', Asia Times Online, at http://www.atimes.com/atimes/Southeast_Asia/LH03Ae02.html (accessed 3 August 2010).
- 33. Harsh V. Pant, 'India Looks East in Search of New Partners', International Relations and Security Network, at http://www.isn.ethz.ch/isn/CurrentAffairs/ ISNinsights/Detail?lng=en&id=127888&contextid734=127888&contexti d735=127708&tabid=127708 (accessed 22 March 2011).
- 34. Bangkok Post, 5 April 2011.
- 35. Schmidt, 'China's Soft Power Diplomacy in Southeast Asia'.
- 36. Geoff Wade, 'ASEAN Divides', New Mandala, at http://asiapacific.anu.edu. au/newmandala/wp-content/uploads/2010/12/Wade-ASEAN-Divides.pdf (accessed 10 December 2010).
- 37. Schmidt, 'China's Soft Power Diplomacy in Southeast Asia'.
- 38. Ibid., p. 40.

- 39. Rajah Rasiah and Johannes Dragsbaek Schmidt, 'Introduction', in Rajah Rasiah and Johannes Dragsbaek Schmidt (eds), *The New Political Economy of Southeast Asia*, Cheltenham: Edward Elgar, 2010, pp. 1–43.
- 40. David Fullbrook, 'So Long US, Hello China, India', *Asia Times Online*, at http://www.atimes.com/atimes/Southeast_Asia/FK04Ae03.html (accessed 4 November 2009).
- 41. D. Suba Chandran, 'Alternative Regional Strategy for India: A Charm Offensive to Win the Hearts and Minds', No. 161, January, *IPCS Issue Brief*, Delhi: The Institute of Peace and Conflict Studies (IPCS), 2011.
- 42. Medha Chaturvedi, 'Alternative Strategies Towards Myanmar: Revising India's Look-East Policy', No. 163, March, *IPCS Issue Brief*, Delhi: The Institute of Peace and Conflict Studies (IPCS), 2011.
- 43. Kronstadt et al., 'India'.
- 44. Stephen Frost, 'Chinese Outward Direct Investment in Southeast Asia: How Big are the Flows and What Does it Mean for the Region?', *The Pacific Review*, vol. 17, no. 3, 2004, p. 334, cited in Schmidt, 'China's Soft Power Diplomacy in Southeast Asia'.
- 45. Chaturvedi, 'Alternative Strategies Towards Myanmar: Revising India's Look-East Policy'.
- Tuli Sinha, 'China–Myanmar Energy Engagements: Challenges and Opportunities for India', *IPCS Issue Brief*, No. 134, December, Delhi: The Institute of Peace and Conflict Studies (IPCS), 2009.
- 47. Wade, 'ASEAN Divides'.
- 48. Sinha, 'China-Myanmar Energy Engagements'.
- 49. Ibid.
- Chaturvedi, 'India's Strategic Interests in Myanmar: An Interview with Shyam Saran'.
- 51. Anna Louise Strachan, Harnit Kaur Kang, and Tuli Sinha, 'India's Look East Policy: A Critical Assessment Interview with Amb. Rajiv Sikri', October, New Delhi: Institute of Peace and Conflict Studies (IPCS), Southeast Asia Research Programme, at http://www.ipcs.org/pdf_file/issue/SR85-SEARPInterview-Sikri1.pdf (accessed 4 November 2009).
- 52. Chaturvedi, 'India's Strategic Interests in Myanmar: An Interview with Shyam Saran'.
- 53. Roughneen, 'India Scores High on Pragmatism'.
- 54. Financial Times, 'South-East Asia: A Wider Radius', 28 January 2010.

Chapter 7

THE ELEPHANT AND THE PANDA - INDIA AND CHINA: GLOBAL ALLIES AND REGIONAL COMPETITORS

Johannes Dragsbaek Schmidt¹

Our old brother [India], 'affectionate and missing' for more than a thousand years is now coming to call on his little brother [China]. We, the two brothers, have both gone through so many miseries that our hair has gone grey and when we gaze at each other after drying our tears we still seem to be sleeping and dreaming. The sight of our older brother suddenly brings to our minds all the bitterness we have gone through for all the years.

Liang Qichao, welcoming Tagore to China in 1924. (Cf Mishra 2012: 218)

Introduction

Home to 2.4 billion people, India and China represent the largest and fastest growing economies the world has ever seen. The two countries have for a long sustained period been labelled the world's office platform and factory outlet, respectively, although GDP growth fluctuated recently as a direct result of the global crisis and new priorities of the Chinese government. India's growth has been based on services in software and information technology while China has concentrated on manufacturing and logistics. This has all changed now with a self-confident China aiming to become a global standard setter and advanced industrial superpower while India in 2018 has become the world's fastest growing economy. Both countries consist of mega markets for global cost reduction and are increasingly a threat to Western dominance of the global economy. As a combined impact on the global economy, they represented 13 per cent of the world's Gross Domestic Product (GDP) in 2012 and in 2018 almost 18 percent (Minto, Financial Times, 3 June 2012;). IMF data released in 2014 showed that India had overtaken China and enjoyed higher growth rates while projections until 2020 illustrate this as a permanent feature (Jericho, Guardian, 15 April 2015). It indicates a steady rise of India's and China's share of global GDP with important implications for changes in the composition of the global economy and potential spill-over effects for global governance and international order.

In contrast to other smaller growth economies, the high economic surge in India and China has far-reaching implications. This is the case not only for global living standards and poverty reduction but also for competitiveness and distribution of income in the rest of the world. Although both entities have lifted millions out of poverty and huge middle classes have emerged, it is also striking that during the past decades the two economies added more than 500 million new workers to their combined labour markets - a number which was slightly greater than the total Western labour force - thus pushing global productive capacity to skyrocket. The majority of these additional workers found manufacturing employment with wage levels below that of their North American and Western European counterparts. In 2008, their salary was only 1/20 or even less of that of the Western workers doing the same work (Haizhou 2008). The question of course is whether these achievements are connected to a globalisation dividend under the geo-economic regime in the form of a relatively open trading system, financialization, outsourcing and Foreign Direct Investment (FDI) or whether there are other explanations such as the developmentalist role of the state. No matter what the answer is, India and China's growth seem to be exceptional in the history of economic development, but it should also be noted that they show some of the world's highest income disparities, polarization and in the case of India extraordinary levels of poverty.

Although the development models differ fundamentally, they also share a number of similarities. They have different political systems with a democratic parliamentary system in India and an authoritarian one-party system in China. India has a better-developed and more transparent financial sector, while China has, largely, opened up its economy to foreign trade and FDI. Chinese reforms started in 1978 almost fifteen years before India (Eichengreen et al. 2010). The dependency levels of the two countries on export orientation differ sharply: China's export share in 2004 was around 40%, corresponding to over two and a half times that of India's but in 2018, this has been levelling out so that both countries now have approximately 20 percent export share to GDP.

Strategically, however, they both share a gradualist approach to economic reform and have not allowed discarding the institutionalized regulatory control. In fact, despite all the hype about globalization, privatization and liberalization, the experiences of both economies challenge the core assumptions of neoliberalism:

- It is incorrect to project the two countries' economic growth as the result of liberalization alone. It was essentially more the impact of industrial policy restructuring and local entrepreneurial classes that determined the outcome;
- 2. Both countries retained the power to control the flow of foreign investment;
- It may not be accurate to describe China's success as the result of combining the
 neoliberal economic solution with political authoritarianism; while the balance is kept
 in India by strong vested capitalist groups and organised labour;
- 4. India's experience suggests that the relaxation of rules on foreign investment must be addressed at the same time as the issue of poverty reduction;
- 5. Neoliberal prescriptions have been resisted by both states and sufficient regulatory space has been kept (Sornarajah 2010: 162–163).

The impact of these economies on the hierarchical structure of global capitalism and governance is beginning to be taken into consideration. According to various projections, China is likely to become the second biggest economy in the world by 2020, with India becoming the third largest by 2035 (Kaplinsky 2009: 283).

Seen in historical perspective, China and India's growth story may not be defined as catching-up but rather as a comeback. After long periods of self-centred development, they are gradually reinserting their economies to the former dominant status they had in the world before the 18th century, when they represented approximately half of the world's GDP (Maddison 2001, cf. Figure 1; Frank 1998). It is a pure Eurocentric ideology to characterize this comeback as an emerging market or something new or unusual (Schmidt and Hersh 2018).

In a 'comprehensive security' perspective,² the self-perception among the political class in Delhi and Beijing ultimately emphasizes not only their position as great powers but essentially reinserting their role as global leaders in determining international affairs in the near future (Radtke 2003: 499). This compelling evolution nurtures the scenario of a completely different vision of the future world order. Some commentators note that the beginning of the 21st century will be remembered for the rapid decline of the United States' unilateralism and

the 're-emergence' of a multi polar world where India and China restored Delhi's and Beijing's rightful places first as regional then as global players with huge implications for security and the economy worldwide. If these tendencies continue, it ultimately spells the end of three—four centuries of global domination of the Atlantic powers. How such a process will evolve is one of the most important future questions for the world system. Although suffering from 'imperial overstretch', the United States remains the ultimate hegemonic military superpower, but its options are becoming more and more limited both geo-economically and geo-politically, and Washington's room of manoeuvre appears to be shrinking due to the shift in economic gravity and the concomitant challenges from Asia (Schmidt 2014a).

The intertwined geo-political and geo-economic security and foreign policy strategies and visions of India and China show an interesting overlap in terms of both being re-emerging giant economies and exemplar attempts challenging Western dominance through the establishment of alternative political and economic institutions such as the alliance of the BRICS (Brazil, Russia, India, China, and South Africa).³

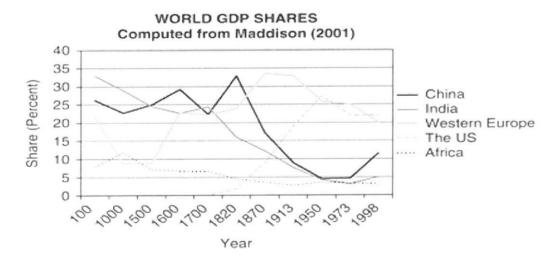


Figure 1 (Maddison 2001; cf. Mudambi 2010: 257)

Both entities have seen fundamental foreign policy changes in the past two decades. Especially after the dissolution of Soviet-type socialism and the end of the Cold War, a new more pragmatic, gradualist and experimental type of foreign policy emerged, including a renewed attempt to upgrade bilateral relations. Two-way trade has increased from USD 270 million in 1990 to more than USD 68 -billion in 2012, and China is now, in 2018, the largest trading

partner of India. Albeit the relationship is also characterized by low levels of FDI, which makes it precarious, but still it denotes a closer political economic embracement. The trade touched historic high despite bilateral tensions over a number of issues including the China -Pakistan Economic Corridor, Beijing blocking India's entry into the Nuclear Suppliers Group as well as the military standoff at Doklam lasting 73 days (*Times of India* 7 March 2018).

On official occasions like the BRICS summit in Brasília in April 2009, India's prime minister, Manmohan Singh, declared, 'India and China are not in competition' and 'There is enough economic space for us both.' China's president, Hu Jintao, said the same (*The Economist* 19 August 2010). At the BRICS 2014 summit in Fortaleza in Brazil the new leaders of India and China, Prime Minister Modi and President Xi, spoke about 'shared interests and common concerns' and gave a clear impression about collaboration and synergies even in security matters, exemplified by China's invitation for India to join the Shanghai Cooperation Organization (SCO) (Ramachandaran 2014).⁴

It seems that PM Modi has abandoned the traditional realist approach towards China by loosening up and expanding the engagement, emphasizing the mutual cultural heritage and Buddhism instead of anti-colonialism and Third worldism, and at the same time not hiding his government's simultaneous attempt to create strategic partnerships with other countries like Japan and the US (Mohan 11 May 2015). The question is whether these are more than public statements and can be validated.

The future Indian-Chinese relationship is a work in progress. The outcome will affect the entire world. This is inescapable, but the problem needs to be approached in an analytical and nondeterministic manner. It ought to be the guiding principle behind the study of development and international political economy generally. This applies even more to the subject at hand while observing the potential titanic movement in the world system and what appears to be a fundamental change in foreign policy patterns.

One of the main drivers in foreign policy is related to energy scarcity. There have been attempts at coordinating Chinese and Indian arrangements for Middle Eastern and African oil, and the term 'Chindia' has been coined to project a vision of cooperation and collaboration between the two countries. Not only oil, natural gas and other energy sources like access to hydro power and coal are increasingly confronting policy and decisions makers with hard choices but also water appears to play an increasingly significant role. This is why foreign

policy, energy security, geopolitics, and geo-economics have become intermeshed and appears less separated than before.

This contribution explores the comparative political economic relations between India and China in a critical framework focusing on bilateral, regional and strategic foreign policy ties. It discusses the intertwined geo-political and geo-economic foreign policy alignments at the global level, where both countries oppose Western dominance in climate change policy, world trade policies and to a certain extent in security and energy security matters. However, disagreement persists on unresolved problems in terms of attracting FDI while access to energy shows an asymmetric pattern of cooperation, conflict and competition. When it comes to the regional Asian setting, the policy convergence increasingly being pursued with the other BRICS countries is also embedded in a complex theatre of mixed relations and competition for influence, security and energy resources. While India may enjoy a dominant position in South Asia – albeit with varying success – China has a more complicated relationship with its Northeast Asian and Southeast Asian neighbours. Both countries have mixed relationships with Central Asia or what India regards as West Asia since Iran and Afghanistan belongs to what Delhi perceives as its interest sphere (Schmidt 2014a).

The energy security dimension has climbed up foreign policy agendas and is one of the most important issues in today's global polity. This is illuminated in the last section of this contribution where the focus lies on cooperation, competition and conflict over energy between India and China. There is probably today agreement in academia and among observers that "any study on energy can no longer be limited solely to a discussion of supply and demand in the energy world market, but must also seek to examine international energy security from geopolitical and geo-economics perspectives" (Guo 2006: 118). The final part of this contribution attempts to give an overview of how energy security has evolved and what are the political, economic, and also security related factors that improve or impede international energy cooperation and strategies between India and China. As a conclusion to the paper, a discussion of possible perspectives is provided by pointing to the diplomatic rifts and problems between the two countries as a way to illuminate the delicate way forward towards a more peaceful and stable long-term relationship.

Conceptual framework

Neorealist perspectives proclaim that structural change at the regional level is more volatile than at the global level. Seen in this light, Asia appears to be undergoing a comprehensive and dangerous structural transformation, equal to what Europe underwent in the first half of the 20th century. This change consists of movement of states on their power cycles, generally accompanied by change in their foreign policy roles (Doran 1991). Historically, such change was non-linear and unpredictable (Kumar 2003: 114). To elaborate this kind of change, it is necessary to distinguish between power and role as done by Doran when he notes that 'Role exists only if legitimized through systemic acceptance, whereas power expresses itself through unilateral action and as control' (Doran 2004; cf. Sen 2010: 141). However, this type of thinking is based on state-centric realism, which does not give an adequate picture of the complexities involved. The neorealist perspective is ahistorical and dictates that with regard to the 'essentials' such as the role of the state, sovereignty and 'balance of power', the future will always be like the past. This way it reflects the status quo and the interests of the current hegemon – not emancipation or potential social change and no real reflection of the interface between domestic social factors and foreign policy.

The objective here is to go beyond the mainstream neo-realist and liberal IR theories by offering a critical comparative political economy approach to foreign policy based on a subjective approach focusing on actual empirical evidence, with an explicit theoretical and normative commitment.

Foreign policy decisions are made by agency but always within a set of structural constraints. Critical accounts of foreign policy pursue a holistic view of politics and avoid the pitfall of seeing politics as only involving governments and state actors. It is furthermore necessary to understand the constitutive nature of knowledge and theoretical assumptions and question whether it serves particular purposes and interests (Cox 1981: 128) and this way, there is no value-free or neutral understanding of foreign policy or any other social scientific research problem for that matter. Critical comparative political economy leaves room for alternative ideas and visions and includes a developmental and socioeconomic perspective on foreign policy; policymakers are constrained by societal contexts, but they also do make decisions and are able to establish elaborate critique and policies against the current (Williams 2005; Hay 2002). This type of approach opens up for a holistic, ideational 'state-society complex' conceptualization including other relational and ideational interests, private, corporate, military, and civil society, which potentially may impact foreign policy outcomes (Cox 1987; Sen 2010: 143).

This is neatly illustrated in China, where the strategic political decision was taken by Beijing 'to integrate China into the global political economy. This has 'allowed' Chinese sovereignty, in the economic sphere at least, to become "perforated", and thus increasing the number of actors in the policy spheres' (Breslin 2002: 34; cf. Schmidt 2008: 26). When it comes to the important question about who defines 'national interest', it seems fairly obvious that in both countries a number of epistemic actors and social and economic interests perform an increasingly important role and influence although financial and productive capital remain in a dominant position in terms of direct and indirect influence on strategic security and external relations. The Sino-Indian foreign policy relationship and security sphere is also being more and more penetrated by non-traditional security issues related to climate, environment, internal divisions with external links in the blurred lines of the policy sphere, and as result the distinction between inside and outside becomes more and more difficult to distinguish. This new foreign and security pattern must be understood in an internal-external dynamic perspective because it is not only formal and informal domestic epistemic actors but also international epistemic communities and institutions which influence foreign policy decisions through either advice, norm setting or pushing new rules which may or may not enter the domestic agenda.

Traditionally, 'foreign policy' and 'national interest' have been treated like a 'black box' dictated by the ruling elite's perception of who is the enemy. However, with the emergence of powerful entrenched interests, think tanks, private armies and external institutions using all kinds of leverage to influence a country's decision making structure, it seems that in both countries foreign policy and even national security itself is becoming affected by a greater variety of actors and foreign policy 'is partly self-determined and partly other determined' (Norbu 2005: 105; Mohan 2009: 157). Ideology must also be taken into consideration not only in democracies like India, where Hindu nationalism, for instance, has shaped an anti-Muslim and anti-foreign agenda, but also in one-party China, where 'official policymakers and interest groups that strive to influence foreign policy formulation all interpret China's national interests based on their own, sometimes narrowly defined perspectives and preferences' (Jakobson and Knox 2010: 47). It is furthermore important to stress that the Bhartiya Janata Party (BJP) continues to dominate India's realist lobby with reference to specific chosen 'historical and contemporary geo-strategic threats, but also continues to build strong support for India's nuclear deterrence by reconstructing certain postcolonial insecurities' (Das 2003: 80). However, it would be wrong to simply categorize the BJP as sole promoter of realism, as these

sentiments are also much entrenched by lobbyists and perceived 'neutral' observers and commentators associated with Congress party. In fact, India's foreign policy establishment consist of a number of competing views (Schmidt 2014b) and what Mohan (2009: 158) describes as 'the existence of tiny, informal and consequential networks spanning the full spectrum of the Indian elite opinion and acting as the vanguard of India's new foreign policy', but corporate interest have become 'important determinants of India's foreign policy options' (Baru 2009: 277). Also in China, the distinction between shaping and implementing foreign policy is sometimes elusive, and in fact, there are different views of policy formulation. The impact of new foreign policy actors in China has led to a fractured authority, varying views of how China should internationalize and demands that China defends its core interests. These new impediments are changing the nature of Chinese foreign policy formulation and the way in which China will interact with the outside world (Jakobson and Knox op cit).

These considerations are also reflected in the geopolitics and geo-economics of energy security such as access to oil, gas and water and other renewable and non-renewable resources and not least safe transportation. The region and more specifically the Sino-India relationship is characterized by an interesting set of conditions which show a vibrant and creative mix of rivalry, competition, conflict and cooperation in both political and economic terms and also in relation to energy security.

Theoretically speaking energy resources may be approached either by trade or respectively by conquest, domination and changing property rights, and in this way markets are not institutionally separated in international relations from states and the distribution of military capability (Amineh & Houweling 2003: 391 &393). Energy security should furthermore not be treated as an exclusively internal or domestic issue but has an external global dimension as well since the entire supply chain needs to be protected and this creates tensions and competition which again may either lead to conflict or cooperation between nations and private companies.

Energy security here understood as 'ensuring uninterrupted supplies of energy to support the economic and commercial activities necessary for the sustained growth of the economy' (Willrich 1975 cf Singh 2010: 17) is an issue which creates tension but also attempts towards collaboration. It is as much about market stability and managing costs as it is about geostrategic considerations, which are increasingly intermeshed. It also denotes the attempt to facilitate a sound balance between supply and demand and has become one of the most

important items on the foreign policy agendas in both countries since they are increasingly dependent on imports to satisfy their growing energy needs.

These perspectives lead to a number of inter-linked issues of strategic importance. For instance, what are the links between energy security (oil, gas and water), trade and FDI flows in relation to more traditional issues of military security, encirclement and containment? What explains the fact that both countries share mutual interests in a number of global policy areas while the same areas retain a degree of rivalry and competition at the regional level here with a focus on energy resources? What is India's reaction to China having the hands-off leadership role when it comes to economic investment and respect for sovereignty? What is the impact of influence in multilateral fora on energy security? These are some of the issues this contribution touch upon.

The first section of the remaining part of this chapter focuses on the overall strategic bilateral relations; the next analyses examples of global alignment between the two countries; while the third section outlines the competitive regionalisms. These broader issues are supplemented with a study of energy security as an example of the dilemmas and challenges in the Sino-India relationship in terms of cooperation, conflict and competition over access to energy resources to secure the increasing energy consumption in general and more specifically energy security in terms of achieving a stable supply of fossil fuels and other renewable and non-renewable energy resources.

Bilateral relations

Apparently both countries have today replaced previous foreign policy preferences from non-alignment to a more pragmatic and non-ideological approach or what some observers call 'multi-alignment with all' (Mohan 7 July, 2015). Both countries endorse the capitalist market and free trade although India has average tariff levels that are more than twice as high as in China. Unresolved (border) problems remain an issue but at the same time, there seems to be a pragmatic move away from geo-political anxieties and uncertainties to a more geo-economically based convergence in both bilateral and multilateral foreign policy relations and even development models.

India's foreign policy gradually changed from a socialist to a capitalist vision, which came with a shift away from conservatism, nationalism and politics to letting economics

dominate and finally a change away from being anti-Western leader of the Third World to become a foreign policy actor in its own right (Mohan 2006). Likewise, China's foreign policy has also moved away from overtly relying on Maoist ideology to a situation today where the relationship with the United States overshadows all other relations. Nevertheless, bilateral links between India and China have improved tremendously and new alliances have been sought through diplomatic rapprochement. This also implies less concern about national sovereignty – the traditional hard core of approaches dealing with 'balance of power' – towards a more pragmatic relationship where geo-economic matters play an increasing role.

The trade imbalance in China's advantage causes some tensions. Chinese non-tariff barriers are only a small part of this. The problem is India's uncompetitive manufacturing sector. The deficit problem is more complicated because trade primarily takes place via sealanes, while cross-border trade remains underutilized due to perceived security threats, difficult geography and reluctance by Delhi to implement policies and support land-based trading. India has sought to diversify its trade basket, but raw materials and other low-end commodities still make up the bulk of its exports to China. In contrast, manufactured goods, from trinkets to turbines are exported from China into India. India-China bilateral trade reached \$84.44 billion in 2017 a historic. It included an astonishing 40 percent increase in India's exports to China (Times of India 7 March 2018).

The two countries continue to face impediments in moving from bilateral trade to mutual investment although according to a consulting firm, 'there are about 150 Indian companies operating in China compared with 40 Chinese companies doing business in India' (Huang 2010: 122). In this context, it is interesting to note the increasing economic cooperation and exchange between cities and private companies through the liaison and critical role of consulates. 'The regions of the Yangtze River Delta and the Pearl River Delta of China have had significant cooperation with Indian enterprises, a result that can be attributed to the efforts of the Indian consulates in Shanghai and Guangzhou. Investments by Chinese enterprises such as Huawei Corporation and Zhong Xing Telecommunication Equipment Company Limited (ZTE) in Maharashtra and Bangalore were also made possible by the Chinese consulate in Mumbai' (Ni 2010: 148). Also, the BCIM economic corridor initiative (Bangladesh, China, India, and Myanmar) with railways, highways, personnel and information flows, tourism, energy links and people-to-people contacts has contributed to almost one billion in trade between India and China.

Bilateral relations continue to be upgraded but cannot acquire a real strategic dimension as long as the border disputes remain unresolved. The Sino-Indian entities as regional Asian giants appear fated to become economic and possibly political competitors, although at the same time there is a pragmatic wish for increasing cooperation from both government and the private sector. Despite their mutual good wishes about partnership, there are still unsettled issues given the countries' old enmities, complicated neighbourly relations in South and Southeast Asia, a nuclear détente, and two of the world's biggest armies with almost 3,5 million troops. According to neo-realist thinking (Frankel 2010), China is seen as aiming to dominate Asia, and once it becomes the world's largest economy, it will be in an advantageous position to twist its neighbours' arms even further. However, seen through more pragmatic liberal lenses, there are more areas of mutual interest and cooperation especially in economic affairs than what traditional security approaches are able to comprehend.

Despite these contradictions steady rapprochement between the political elites in Delhi and Beijing has gradually matured and stronger bilateral confidence-building measures show a clear political will to enhance cooperation and even regularize military ties. This involves navy and army exercises and a memorandum of understanding signed with a whole variety of military exchanges and measures including regular 'strategic dialogues' about the border issues (Godwin 2011: 121). These measures signify a more coherent effort to accomplish and rely on a geo-economic approach, which allows more space for non-state entities in the conduct of economic and political exchanges between the two countries.

Global Allies or Foes

Recent global diplomacy has shown important signs of an emerging alliance between India and China as well as other so-called emerging economies like Brazil, Russia and South Africa. The breakthrough came at the World Trade Organisation (WTO) ministerial meeting in Mexico in 2003. Under the motto 'no deal is better than a bad deal', the global South walked out followed by the G22 and, in turn, the G77. For the first time, "Western divide and rule didn't work, nor did it work during the following years with the repeated attempts to revive the Doha round and the exhortations of Western negotiators. This signalled a new diplomatic weight and cohesion of the global South under the leadership of India and China" (Kremer, Lieshout and Went 2009: 30).

The Sino-Indian alliance repeated itself at the Doha negotiations in Geneva where India's trade minister, Kamal Nath accused the United States of putting the livelihoods of a billion of the world's poorest people against 'commercial interests' as each country blamed the other for the acrimonious collapse of world trade negotiations. China, too, joined the frenzy of finger pointing, weighing in to support India. The Chinese news agency, Xinhua, referred to the 'selfishness and short sighted behaviour' of wealthy nations for bringing down the negotiations at the 11th hour (Guardian 31 July 2008).

Although both countries have a vital interest in trading with each other and cooperating by taking advantage of a liberalized global trade and development agenda, it is interesting to note that under the current WTO regime, India and China cannot pursue a development-oriented agenda through industrial policy, domestic protection and preferential treatment (Trachtman 2010). There has been a continuing agreement against the imposition of labour and environmental standards and a clear no from the Western countries to liberalise agriculture. Today the BRICS are up against a renewed attempt from Washington to create bilateral TPP and the TTIP – the transpacific and transatlantic treaties, TPP and TTIP, that seek to organize business activity under one monumental umbrella of new rules, which go beyond the WTO regime. It is a conscious move from Washington to isolate especially China and to a lesser degree Russia and India and is a deliberate policy aiming at maintaining American hegemony in Europe and Asia as well.

The trend towards mutual self-interest has also been clear in climate change negotiation, where Delhi and Beijing share a common mistrust towards the Western agenda. This Sino-Indian unity emerged at the United Nations Climate meeting in Copenhagen in December 2008 where the world is biggest and fourth biggest emitters of carbon gas rejected American-led demands for them to undertake tougher anti-warming measures (*The Economist* August 19th 2010). There has been a continuing resistance against the imposition of carbon emission caps, tax and tradable permits but this changed with the signing of the Paris climate agreement in 2016 and both countries are committed to reduce reduce emissions and to increase consumption of non-fossil fuels.

It is not only in trade and climate change but also in security related issues and with regard to the global financial crisis where there have been examples a common platform and partnership through the Shanghai Cooperation Organization (SCO) which is being used to coordinate policies in all areas covering security, energy, climate and other important areas

which essentially confront Western hegemony. The two entities share a wish to reform what is perceived as an undemocratic global governance system and go up against the unilateral American-dominated security order and the use of exclusive military power in the Balkans and the Middle East. Both Delhi and Beijing directly and indirectly support Russia in the case of Ukraine and Moscow's annexation of Crimea and together in the BRICS they share a wish to create a multipolar system with parallel international financial institutions, rules and norms.

Gradually the BRICS are moving away from using the Euro and the Dollar to settle international accounts and recently they took initiative to establish a New Development Bank (NDB) with an announced capital structure of \$100 billion equal to approximately half of the World Bank. The new Contingency Reserve Arrangement (CRA) adds another \$100 billion and these new institutions may either break the monopoly of the World Bank and IMF or at least be seen as parallel structures competiting with established multilateral institutions dominated by the EU and the US. These initiatives must be seen in conjunction with (1) the establishment of an Asian Infrastructure Investment Bank, AIIB (an alternative to the Japanese and American dominated Asian Development Bank, ADB); "(2) the consolidation of the Chiang Mai Initiative Multilateralisation (CMIM) and the associated Asian Multilateral Research Organization (AMRO) among the Association of Southeast Asian Nations (ASEAN) + 3 (China, Japan and the Republic of Korea). The CMIM is now a \$240 billion financing facility to help member countries deal with balance of payments difficulties. This is similar to the \$100 billion CRA set up by BRICS. AMRO has evolved into a mechanism for macroeconomic surveillance of member countries and provides a benchmark for their economic health and performance. This would enable sound lending policies and may very well be linked in future to the AIIB. The CMIM and the AMRO thus provide building blocks which could serve as the template for the NDB, the CRA and the AIIB" (Saran 2014 cf Schmidt 2015: 135).

These initiatives through alliances by convenience against the 'West' have a clear connection with the impact of the rise of China and to a lesser degree India on global governance structures and institutions. Especially China is attempting to reinvent the rules (Sen 2010: 160), the norms and the regulations of global governance by utilizing a combination of soft diplomacy and hard foreign policies in protecting its national interest. As mentioned in a much celebrated book 'The Beijing Consensus': "China's rise is already reshaping the international order by introducing a new physics of development and power (...). It replaces the widely-discredited Washington Consensus, an economic theory made famous in the 1990s

for its prescriptive Washington-knows-best approach to telling other nations how to run themselves." The Washington Consensus was a hallmark of 'end of history' arrogance. It left a trail of destroyed economies and bad feelings around the globe. China's new development approach is driven by a pragmatic desire to promote high-quality growth and critically speaking "...it turns traditional ideas like privatization and free trade on their heads. It is flexible enough that it is barely classifiable as a doctrine. It does not believe in uniform solutions for every situation. It is defined by a ruthless willingness to innovate and experiment, by a lively defence of national borders and interests, and by the increasingly thoughtful accumulation of tools of asymmetric power projection. It is pragmatic and ideological at the same time, a reflection of an ancient Chinese philosophical outlook that makes little distinction between theory and practice" (Ramo 2004: 4).

China is using 'soft power' remedies to nurture alliances with developing countries to solidify its position in the WTO, flex its muscles on the world stage and act as a counterbalance to US power. This evolution is spearheaded by the impact of the global financial crisis, which has resulted in an 'observable swing to nationalist and protectionist measures' in the Western hemisphere (Schmidt 2010: 24) which gradually are moving into China bashing.

While India has been slower to capture the recent weakness of the EU and the USbecause of the financial crisis, there are signs of increasing foreign policy convergence in alliance with China and the BRICS to stand up to pressures by the developed countries. The question is whether India is joining the bandwagon or prefers the status quo. It seems that as long as 'India—China—America is constrained by the strategic triangular relationship it remains to be seen what impact it will have on the evolving world order. So far, there seems to be agreement to manage India and China's integration into the world system as smoothly and peacefully as possible. Furthermore, the cornerstone of enhancing strategic triangularity is the bilateral rapprochement between India and China in trade and security, which is growing rapidly and in vital ways although not without obstacles, as well' (Schmidt 2014a: 217).

This notwithstanding and more fundamental, the growing 'Asianess' of India's and China's trade is seen as the way forward to create an Asian regional multilateral platform, excluding the United States. This has created new apprehensiveness among anti-Chinese segments in Delhi and Washington, and more rivalry at the regional levels in Asia may be foreseen.

Regional Competitors/Collaborators

The legitimacy crisis of the old Bretton Woods system has created a new type of multi-layered global governance system and it is in this context that a comparative analysis of regional systems of social redistribution, regulation and empowerment becomes relevant (Schmidt 2009: 457–8). Regional governance is becoming a more entrenched feature of the global political economy, while inter-regional diplomacy, through which regional associations seek to build global alliances and preferential agreements, is a potential countervailing influence to the power of the United States for dominating global agendas and setting global priorities (McGrew 2003, 11).

India and China have been engaged in regional security arrangements during the Cold War, competing regional alliances and disagreements with regard to engagement in regional arrangements. Each country has visions based on specific historical politico-cultural matrixes and legacies of regional supremacy and although traditional wishes of reducing the other's influence do exist, there is also a pragmatic and real attempt to balance powers and accommodate views and interests. It is also important to note that Delhi and Beijing have focused on regionalism as a supplement to global multilateralism as a way forward to deliver regional solutions to global problems. India has been involved in the South Asian Association for Regional Cooperation (SAARC)⁵ and China in the Association of Southeast Asian Nations (ASEAN). China is furthermore member of the US-led Asian-Pacific Economic Corporation (APEC), while India is not, and the ASEAN Regional Forum (ARF) and the resulting East Asian Summit. China also prioritizes its own initiatives such as the SCO, where India received full member status in 2015.6 Some commentators in Delhi see the SCO and other Chinese regional initiatives as attempts to create a Sino-centric Asian regional order placing both India and Japan in a future secondary status in the region, while on the other hand, China is wary about the establishment of an Asian NATO directed against Beijing (Mohan 2010: 41-42; Bhattacharya 2010: 113). However, the Chinese invitation in 2014 for India and Pakistan to join the SCO as members and the election of pro-Chinese Narendra Modi has opened the door to a hybrid normalization of India Pakistan relations.

Based on this reading, it is tempting to argue that Asia is a region with competing regionalisms and several types of regionalization with one exception – the Southeast Asian region – where ASEAN seems to perform a combined role as provider of both security and economic growth. Beijing and Delhi are getting closer in both diplomatic and geo-economic

relations but at the same cording Southeast Asia for its geostrategic location as well as competing perspectives on energy security and access to oil, gas and water.

India's number one priority has been the signing of Free Trade Agreements (FTAs) and bilateral engagement with East Asian countries especially the signing of the AFTA or ASEAN-India Free Trade Area in 2003. India is also an active member of other regional arrangements like the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) and the new South Asian Free Trade Agreement (SAFTA). The signing of the ASEAN Free Trade Agreement in 2009 showed India's commitment to engage in the region and challenge the status quo and can also be interpreted as an attempt to increase its role in the region's security architecture and court ASEAN's 'favour' (Bhattacharya 2010: 114).

Beijing's growing ties with India's neighbours is seen by hardliners in Delhi as part of a 'containment policy'. However, Beijing's support to various regimes like Pakistan is more an attempt to counter US influence in the region and Washington's attempt at encirclement of China and less a way to counter India as such. In fact, there are strong forces in China who suggest that 'more emphasis should be placed on the need for cooperation between China and India, even if India should tilt more to the United States' (Radtke 2002: 505). On the other hand, China is watching the occasional links between India and the United States, which are seen as an deliberate moves by Washington to counter China's political influence as its growing economic clout gives it more capability and capacity to exert its influence.

To counter these trends, both India and China are expanding and modernizing their air forces and modernizing the armed forces as well, and a potential regional arms race is emerging with grave consequences for development and eradication of poverty. There are furthermore attempts in both countries to expand blue water navies and submarine forces. In India's case, the strategy intends to counter the perceived Chinese expansion and to secure the flow of oil, goods and other natural resources through the Bay of Bengal and even beyond, particularly the area around the Malacca Straits, which is still very susceptible to piracy and through which approximately half of the world's oil flows.

ASEAN and its member countries need India's involvement in the region not only as a strategic partner but also due to historical and cultural reasons and the fact that there are important diaspora groups with ties to both China and India in the region and this way economic

and strategic ties may be enhanced. As India reaches into the Malacca Straits, Beijing is developing strategic port facilities in Sittwe (Myanmar), Chittagong (Bangladesh) and Gwadar (Pakistan) in an effort to build capacity to protect sea lanes and to ensure uninterrupted energy supplies. Sea lanes assume a critical importance, particularly because both China and India are huge energy consumers. As mentioned the most vital sea lane is the Malacca Strait, which currently carries 80 per cent of China's annual oil imports. According to Chinese government estimates, approximately 60 per cent of the vessels that pass through the strait per year are heading to China. This makes the sea lanes issue and the Spratly Islands issue some of the most important for Southeast Asia and India and China and it has potential global geo-strategic implications as well.

The nexus between the two entities will evolve accordingly with respect to their willingness to cooperate in the regional context but competition in all areas from the maritime to the outer space to resource scarcity show that the outcome is still unpredictable. In Myanmar, for instance, the 'competition for influence is open and vigorous' (Moran 2010: 46), and in this case there is a potential rivalry and competition for resources and influence on the newly emerging democratization process (Schmidt 2014b).

With regard to India's and China's role in the Southeast Asian context, very much depends not only on a mutual process of confidence-building measures but also on the sociological and cultural shared awareness that regions as such, very much like nations, are imagined constructs and communities and will by all means oppose any hegemonic attempt to divide and rule. In this way, countries as well as regional groups like ASEAN 'adopt policies of diversification' (Radtke 2003: 501) in order to carefully craft proactive responses to foreign policy change, especially in dealing with major powers like the United States and two Asian Titans.

It is within this context of competing regionalisms the question about energy security enters the equation in terms of keeping up the supply and demand, concentrate on own production and resources, and diversification of imports and transportation. These are issues involving high risks, enormous amounts of capital and not least geo-strategic security related issues regarding instability, conflict and partnerships with friendly actors.

Cooperation, competition and conflict in energy security

Although China and India share foreign policy synergies in global mechanisms like the G20 and collaborate more and more intensively through the BRIC's platform (Schmidt 2015) and increasingly appear to engage in regional organizations pursuing common policy objectives they are also in many ways both rivals and competitors, especially with regard to challenges in access to energy resources. Some commentators note that the rivalry for oil and gas resources might lead to the development of an energy market and security complex on the Asian continent that is (partly) independent of US involvement (Amineh and Guang 2010:13) where the SCO may be viewed as a steppingstone towards such a scenario.

This seeming paradox between cooperation and competition is related to past self-reliance strategies, where the ideal was not to rely on market mechanisms but prioritizing energy self-sufficiency. Coal still plays an important role in both countries although it is contributing to CO2 omissions and conflicts with policies to reduce climate change but this may be related to past priorities where they 'were once committed to avoiding global market fluctuations' (Sen 2010: 143). This has changed with the shift in overall development strategies and India is today in 2015 the world's largest importer of crude oil only next to the United States and China. India may provide a huge source of demand growth, with its additional demand for 2015 (300,000 barrels per day) potentially surpassing China's (295,000 barrels per day). So far China has been the driver of oil markets but with its recent slowing down of GDP growth imports may decrease.

The China–India rivalry may be redrawn as a contest for oil and gas given the fact that these resources according to most predictions are nearing depletion and due to climate change fossil-fuels and the resource-intensive pathway are being questioned. Although there are many examples of Sino-Indian co-operation in energy matters, and in fact India did not historically speaking perceive energy security interests 'in competitive terms and in terms of conflict' (Ahmad 2009: 69), the reality is more complicated.

Most future projections show that India will import 80 per cent of its energy needs, while 70–80 per cent of China's crude oil needs will be from imports. There are several examples of Chinese state backed energy firms competing for oil in Sudanese and gas in Myanmar and getting the contracts with Indian companies as losers (Schmidt 2014a). This was also the case when China National Petroleum Corporation (CNPC) entered Angola and also in Central Asia where CNPC acquired Petro Kazakhstan in 2005, outbidding India's state-owned oil company, the Oil and Natural Gas Corporation (ONGC) contracts (Guo 2006: 123). The result

underscored the rivalry involved although many argue that China paid above premium for winning the.

Rivalry over oil and gas supplies is a big political and strategic concern for Indian policymakers while China's "oil strategy is driven by economic benefits based on the principle of mutual trust and equality. China's oil expansion strategy mainly gives prominence to economic presence, not the presence of political alignment, military forces, or military threat" (Guo 2006: 136). The immediate objective is that China may access oil and gas ahead of India by initiating extensive infrastructures in Asian regions and the Middle East. Furthermore, both countries have large Sunni and Shia Moslem minorities, which in many cases impact on foreign policy priorities towards the goal of getting access to cheap and sufficient energy from oil and gas exporting countries, especially in volatile Middle East but also Malaysia and Indonesia. Civil society and the media have also criticized deals with authoritarian regimes, while the private sector has pushed in the opposite direction (Mohan 2009: 130).

However, in 2006 the two countries signed a Memorandum of Agreement for securing oil and natural gas supplies. Also in 2006 India's oil minister Mani Shankar Aiyer signed an agreement to cooperate with China in securing crude oil resources overseas, the aim of which was "to prevent fierce competition over oil to drive up prices. In the second round of the Sino-Indian "strategic dialogue" held in Beijing in February 2006, both countries also agreed to cooperate rather than compete for global energy resources" (Guo 2006: 124).

Chinese and Indian companies have subsequently bid jointly for several oil fields (Siddiqi 2011: 78). This high level of cooperation proves that Delhi and Beijing recognize the high cost of uneconomic competition. This is the fundamental reason behind the India-China energy cooperation' and this is being done by joint bidding in high risk countries such as Peru, Syria, Sudan, Columbia, and Iran. They furthermore collaborate to enhance and diversify the global energy mix by strengthening efforts and Research/Development on clean and renewable energy: International Thermonuclear Experimental Reactor projects (Singh 2010: 18) and considering strategic stocks of oil to secure supply collaboration in low carbon and green technology.

The cooperation has led to the establishment of an alliance between GAIL (Gas Authority of India Limited), the biggest energy conglomerate in India in 2006 and CGH (China Gas Holdings) which led to cooperation over the Greater Nile Oil Project in Sudan on oil refining and transportation, in which CNPC holds a 40 percent stake and India a 25 percent stake. China

Petrochemical Corp (Sinopec) and ONGC also holds a 51 percent and 29 percent stake respectively in the development of the Yadavaran oil field in Iran and more cooperation is being explored (Guo 2006: 123).

Water is more an object of contention, given that several of the big rivers of northern India, including the Brahmaputra, on which millions depend, originate in Bhutan and Tibet. China recently announced that it is building a dam on the Brahmaputra, which is called the Yarlung Tsangpo, exacerbating an old Indian fear that Beijing is aiming to divert the river's waters to Chinese farmers (*The Economist* 19 August 2010). However, most commentators see Indian fears of China's diversion of water projects as premature (Holslag 2010). In fact, there is ample possibility for collaboration regarding the development of hydropower in the Himalayas as a way to secure cheap and clean electricity for both countries (Siddiqi 2010). The whole idea about resource wars or conflict over sparse minerals, coal, oil, gas, and water may be premature and may in fact be replaced by a much more cooperative approach. This depends on the political will of the elites and on whether peaceful competition can replace confrontation.

In the present phase of capitalism, where military might is not the only means of leverage, both India and China are pursuing their foreign energy security policies in close state-business alliances (Mohan 2009: 130; Kitano 2011: 47). It is interesting to note that political control of transnational oil conglomerates is more important in the case of India than that of China. In some cases the two entities cooperate and this may also include private companies and in others they compete. Of outmost importance is the fact that China occupies a permanent seat on the United Nations Security Council (UNSC). This can almost be considered a comparative advantage (Sen 2010: 161) as it generates a lot of clout, goodwill and power when the UNSC is engaged in foreign policy issues where access to energy and other resources like water and hydro-power are involved.

Of course this raises the question about India's potential for obtaining a seat on the UNSC. Chinese approval will not only depend on India allowing China to become a member of SAARC. This is obviously not a sufficient condition since China's position on this issue appears ambiguous. During one of Prime Minister Narendra Modi's visits in Beijing in June 2015 a joint statement read that China "understands and supports India's aspiration to play a greater role in the United Nations including in the Security Council" (Kaura June 3 2015). Related to this the ties of both countries to the United States affect their bilateral relationship. Consequently, the rapprochement between Delhi and Washington through the civil nuclear

initiative keeps on dividing India and China and also impacts at least indirectly their ability to cooperate rather than compete over energy resources. This issue is also linked to Chinese moves to improve relations with and provide military assistance and ODA to Myanmar, Pakistan, Bangladesh, Sri Lanka, and Nepal, and the attempt to establish diplomatic and trade relations with Bhutan which worry Delhi.

On the other hand, India's 'Look East' policy may be perceived by Beijing as rivaling China's interest (Glosny 2010: 127), and especially its military relations to both Japan and Vietnam and incursion into the 'troubled waters' of the South China Sea may worry China's energy and national aspirations in the area. Current disagreements between Japan, the US and China are linked closely to oil resources in disputed areas of the South and East China Sea. India's decision to send warships to Vietnam and Prime Minister Modi's Act East policy signal a continuation of the older Look East policy based on the intertwined geo-political China concerns and geo-economic energy security concerns. The South China Sea was already in 2004 declared to be part of India's extended neighbourhood and this should be seen as a complex response to China's encroachment in South Asia, the Indian Ocean and also the close ties between Beijing and Pakistan. As a footnote India's position towards the Japan China dispute is in line with its customary approach to all of its offshore territorial disputes, China previously offered to jointly exploit the energy resources in the area (Tønneson and Kolås 2006:36) but Japan and the Southeast Asian states refused.

However both sides seem to accept the presence of each other in what they consider their interest sphere and concentrate on economic exchanges, trade and cooperation. There is considerable scope for cooperation between India and China in accessing and ensuring energy security. There is also ample evidence of competition where China has more leverage than India and finally there is potential conflicts related to the South China Sea and also the lack of real support from China towards India's wish to obtain a permanent seat in UN Security Council.

Concluding remarks

Seen with neorealist eyes, the bilateral relationship between India and China is characterized by an unequal trading regime and the two countries appear to be playing a chess game of containment and encirclement – where China supports Pakistan and tries to penetrate the

Himalayan states: Nepal, Kashmir, Bhutan while India in principle and symbolically supports Tibetan independence and acts in a protectionist way to keep Chinese encroachment at bay.

However, whether the glass is half empty or half full, this picture also aims to be a self-fulfilling prophecy as it is a way to counter those social and political forces who wish a more balanced, cooperative and peaceful relationship and who see signs of rapprochement and collaboration not present before. The question is whether the political classes are ready to enmesh in a real strategic partnership and are able to bring the global alignment and solidarity from the BRICS alliance to bilateral and regional levels. The relationship between India and China has paramount importance in this regard and "although the five BRICS countries do not share a clear and coherent foreign policy and also rely on different values there is a clear convergence on key issues related to 'multilateralism, anti-hegemonic actions and democratizing global governance'" (Harden 2014: 14 cf Schmidt 2015: 135).

At the global level, there seems to be some kind of alignment in terms of cooperation in climate, trade negations and security related issues in some cases in tandem with Brazil, Russia and South Africa. Both countries share a profound interest as partners in strengthening a multipolar world and reforming the Brettonwoods system. The BRICS organization is also one of the main reasons why the Western developed countries are rapidly losing global market shares in exports and it remains a major challenge to the EU's and US' industrial competitiveness.

However, Indo-Sino foreign policy unity has not been pronounced when it comes to energy competition and this has been illuminated in the regional settings, but again not entirely. Numerous examples show it is possible to adapt to each other's needs and find new solutions like the creation of a new 'Asian security grid', and this presents a unique opportunity for Sino-Indian cooperation in the realm of energy security and climate change (Siddiqi 2011). The BRICs, the SCO and bilateral agreements illustrate a keen interest in collaborating especially in high-risk countries and vulnerable regions like the Middle East and Central Asia.

This is exactly why the comparison between India and China is so illuminating. China's main obsession is economic growth and the enhancement of the basic needs of poor people and the attempt to create equalities between social and spatial entities. With the BJP led government and especially Prime Minister Narendra Modi's emphasis on a move away from non-alignment towards multi-alignment and the establishing of strategic alliances (Mohan 7 July 2015) – in the BRICS and the SCO but also with Japan and the United States - there can be no doubt about

the precedence of geo-economics in both India and China's overall fpreign policies while political conditionalities are of less importance or even irrelevant. It is still not uninteresting to note the overlapping interests between the two entities in terms of focus on development first and mercantilism as a strategy to rise in the world system very well illustrated by the overall comparative advantage of the BRICS group and PM Modi's approach which rely on what Indian observers call 'uber-pragmatism with business acumen' (Khandekar 2014: 2) and is trying to take advantage of the relative liberal level-playing-field in global trade (Schmidt 2015: 136).

One important thing needs to be understood: the relationship between India and China is changing and will remain so both in the not so distant future but also in the longer term. These countries are *re-emerging* to their natural status as world and regional powers and their relationship will determine the future in both geopolitics and geoeconomics globally. The most important question is whether Delhi and Beijing are ready to dissolve or at least de-emphasize territorial nationalism and thereby increase security at home and in the region as a whole. India's first Prime Minister, Jawaharlal Nehru, envisioned a China and India unified by a common history of exploitation by the West – a vision that he called 'Asianism', while the Chinese premier talked about 'Our two people's common interests in their struggle against imperialism outweigh by far all the differences between our two countries. We have a major responsibility for Sino-Indian friendship (...)' (Malone and Mukherjee 2010: 139). So, historically speaking, history is not without precedent.

Notes

- ⁴ At the 2014 meeting in Fortaleza, the BRICS decided to lay the contours of an alternative global order by establishing a strategic dimension to the alliance by decisions to setup a New Development Bank (NDB) and the emergency fund, the Contingency Reserve Arrangement (CRA) to counter existing Western-dominated Bretton Woods institutions.
- ⁵ Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka. India has also supported the participation of China, Japan, and the United States as observers in the principal mechanism for regionalism
- ⁶ Composed of China, Russia, Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan. The SCO is a regional security organization formed as a confidence-building mechanism. Mongolia received observer status in 2004; Iran, Pakistan and India became observers the following year. The SCO signed memoranda of understanding with ASEAN and the Commonwealth of Independent States in 2005.
- ⁷ Between 2002 and 2010, India and the United States carried out fifty joint military exercises. Since 2008, India has signed arms deals with the US worth USD 8.2 billion,
- ⁸ Naturally the military-industrial complex in the United States to a large extent determines the importance of militarism in the world economy as a state capacity.
- ⁹Although China has never supported or opposed India's bid for a permanent seat in UNSC Beijing's reluctance is related to its ties to Pakistan which would be jeopardized and another factor is related to India's warm relations with Japan. An old foe of China (Kaura June 3, 2015).

References

- Ahmad, Talmiz (2009) Geopolitics of West Asian and Central Asian oil and gas: implications for India's energy security, in Ligia Noronha and Anant Sudarshan (Eds) India's Energy Security, Routledge, London.
- Amineh, Medhi and Guang Yang (2010) Tapping Global Energy Stocks: Energy Security Challenges for the European Union and China, in Medhi Amineh and Guang Yang (Eds.) *The Globalization of Energy: China and the European Union*, Brill, Leiden
- Amineh, Mehdi Parvizi and Henk, Houweiling (2003) Caspian Energy: Oil and Gas Resources and the Global Market, Perspectives on *Global Development and Technology*, Vol. 2, No 3-4.
- Baru, Sanjaya (2009) The Influence of Business and Media on Indian Foreign Policy, *Indian Review*, Volume 8, No. 3.
- Bhattacharya, Abanti (2010) China's Discourse on Regionalism: What it Means for India, *Asia-Pacific Review*, Vol. 17, No. 1.

¹ Associate Professor, Global Development Studies, Department of Political Science, Aalborg University, Fibigerstraede 3, 9220 Aalborg East, Denmark. Email: jds@dps.aau.dk

²Comprehensive security refers to analysis about security that consciously avoids references to hypothetical enemies in order to facilitate dialogue (Radtke 2003: 502) and is focusing on both individuals and sub-state communities as well as national, regional and international issues. It also includes linkages between domestic and external security, and other forms of security including non-traditional issues with the latter being emphasized at the expense of traditional conceptions of national security.

³ The term 'BRICS' first appeared in a 2001 Goldman Sachs research team report that identified the most important emerging market countries for their clients. The BRICS countries represent one-quarter of the world's land mass across four continents and 42 per cent of the world population with a combined GDP of 24 trillion dollars in 2014.

- Breslin, Shaun (2002) IR, Area Studies and IPE: Rethinking the Study of China's International Relations, Centre for the Study of Globalisation and Regionalisation (CSGR), University of

 Warwick,

 http://www2.warwick.ac.uk/fac/soc/csgr/research/workingpapers/2002/wp9402.pdf/
- Cox, Robert. (1987) Production, Power, and World Order: Social Forces in the Making of History. New York: Columbia University Press.
- Cox, Robert (1981) Social Forces, States and World Orders: Beyond International Relations Theory Cox Millennium - *Journal of International Studies*. Vol 10.
- Das, Runa (2003) Postcolonial (In)securities, the BJP and the Politics of Hindutva: Broadening the Security Paradigm Between the Realist and Anti-nuclear/Peace Groups in India, *Third World Quarterly*, Vol.24, No.1
- Directorate General of Commercial Intelligence and Statistics (2015), http://www.dgciskol.nic.in/Doran, Charles F. (1991). Systems in Crisis: New Imperatives of High Politics at Century's End. Cambridge: Cambridge University Press.
- Economist (2010) A Himalayan rivalry. Asia's Two Giants are Still Unsure What to Make of Each Other. But as They Grow, They are Coming Closer—for Good and Bad, http://www.economist.com/node/16843717?story_id=16843717
- Eichengreen, Barry, Poonam Gupta, and Rajiv Kumar (Eds.) (2010) *Emerging Giants. China and India in the World Economy*, Oxford Scholarship Online: September.
- Frank, Andre Gunder (1998) ReOrient. Global Economy in the Asian Age, University of California Press.
- Frankel, Francine R. (2011) The Breakthrough of China-India Strategic Rivalry in Asia and the Indian Ocean, *Journal of International Affairs*, Spring/Summer, Vol. 64, No. 2.
- Godwin, Paul H. B. (2011) Security Policy and China's Defense Modernization, in Allen Carlson and Ren Xiao (Eds), New Frontiers in China's Foreign Relations, Lexington Books, Lanham, Maryland.
- Guardian (2008) Doha: India Accuses US of Sacrificing World's Poor at Trade Talks, Heather Stewart, 31 July.
- Glosny, Michael A. (2010) China and the BRICs: A Real (but Limited) Partnership in a Unipolar World, *Polity* (2010) 42, 100–129, Palgrave.
- Haizhou, Huang (2008) Go Deep Into the Nature of Sub-prime Mortgage Crisis. Paper for the Symposium on Building the Financial System of the 21st century: An Agenda for China and the United States, Shanghai 5-7 September.
- Harden, Bryant Edward (2014). The diplomatic ambitions of the BRIC states: Challenging the

hegemony of the west. Journal of International Relations and Foreign Policy, 2(2). http://www.aripd.org/journals/jirfp/Vol 2 No 2 June 2014/1.pdf

Hay, Colin (2002) Political Analysis: A Critical Introduction, Basingstoke: Palgrave.

Holslag, Jonathan (2010) Assessing the Sino-Indian Water Dispute, *Journal of International Affairs*, Spring/Summer, Vol. 64, No. 2.

Huang, Yasheg (2010) The Myth of Economic Complimentarily in Sino-Indian Relations, Journal of International Affairs, Spring/Summer, Vol. 64, No. 2.

Jakobson, Linda and Dean Knox (2010) New Foreign Policy Actors in China, SIPRI Policy Paper No. 26, Stockholm, Sweden.

Jericho, Greg (2015) Stuck in low global growth and India overtaking China – Is this the 'new normal'? Guardian 15 April. http://www.theguardian.com/business/grogonomics/2015/apr/16/stuck-in-low-global-growth-and-india-overtaking-china-is-this-the-new-normal

Kaplinsky, Raphael (2009) How can Sub-Saharan Africa turn the China-India Threat Into an Opportunity? In Monique Kremer, Peter van Lieshout and Robert Went (eds.), *Doing Good or Doing Better Development policies in a Globalizing World*. Amsterdam University Press, The Hague/Amsterdam.

Kaura, Vinay (2015) China on India's UNSC Bid: Neither Yes Nor No, The Diplomat 3 June. http://thediplomat.com/2015/06/china-on-indias-unsc-bid-neither-yes-nor-no/

Khandekar, Gauri (2014) 'Modi's Foreign Policy Mantra: geoeconomics, regional hegemony, global aspirations'. Agora, Asia-Europe, nr. 17, November.

http://fride.org/download/PB_17_Modi_Foreign_Policy.pdf

Kitano, Mitsuru (2011) China's Foreign Strategy, Asia-Pacific Review, vol. 18, no. 2.

Kremer, Monique and Peter van Lieshout and Robert Went (2009) Towards Development Policies Based on Lesson Learning: an Introduction, ? In Monique Kremer, Peter van Lieshout and Robert Went (eds.), *Doing Good or Doing Better Development Policies in a Globalizing World.* Amsterdam University Press, The Hague/Amsterdam.

Kumar, Sushil (2003) Power Cycle Analysis of India, China, and Pakistan in Regional and Global Politics. *International Political Science Review* 2003 24: 113

Maddison, Angus (2001) The World Economy: A millennial perspective. OECD Publishing, Paris.

Malone, David and Rohan Mukherjee (2010) India and China: Conflict and Cooperation, *Survival*, 52: No. 1.

- Menon, Purnima, Anil Deolalikar and Anjor Bhaskar (2008) India State Hunger Index. Comparisons of Hunger Across States, Washington DC.
- Minto, Rob (2012) China and India getting wight, getting slower, Financial Times, 3 June.
- Mishra, Pankaj (2012) From the Ruins of Empire. The revolt against the West and the remaking of Asia, Penguin Books, London.
- Mohan, Raja C. (2015) Beyond the boundary, Indian Express, 11 May. http://indianexpress.com/profile/columnist/c-raja-mohan/
- Mohan, Rajah (2015) Chinese takeaway: Modi's Geopolitics, Indian Express, 7 July, http://indianexpress.com/article/opinion/columns/chinese-takeaway-modis-geopolitics/
- Mohan, Raja C. (2015) Chinese takeaway: Modi's geopolitics, Indian Express, 7 July. http://indianexpress.com/article/opinion/columns/chinese-takeaway-modis-geopolitics/
- Mohan, Raja C. (2009) Energy security and Indian foreign policy, in Ligia Noronha and Anant Sudarshan (Eds) India's Energy Security, Routledge, London.
- Mohan, Raja C. (2010) India in the Emerging Asian Architecture: Prospects for Security Cooperation with ASEAN and Australia, in William T. Tow and Kin Wah Chin, *ASEAN-India-Australia: Towards Closer Engagement in a New Asia*, Singapore University Press.
- Mohan, Rajah (2015) Chinese takeaway: Modi's Geopolitics, Indian Express, 7 July, http://indianexpress.com/article/opinion/columns/chinese-takeaway-modis-geopolitics/
- Mohan, Raja C. (2009) The Re-making of Indian Foreign Policy: Ending the Marginalization of International Relations Community, *International Studies*, Vol. 46 No 147, Sage.
- Mohan, Raja C. (2006) India's New Foreign Policy Strategy, paper presented at a Seminar in Beijing by China Reform Forum and the Carnegie Endowment for International Peace, Beijing, May 26.
- Mudambi, Ram (2010) The re-emergence of the old world: MNCs and the emerging economies of China and India, *Journal of International Business Studies*, 41 (3) (2010), p. 557
- Ni, Pengfei (2010) Cities as the New Engine for Sino-Indian Cooperation, *Journal of International Affairs*, Spring/Summer, Vol. 64, No. 2.
- Norbu, Dawa (2005) After Nationalism? Elite Beliefs, State Interests, and International Politics, in
 - Kanti Bajpai and Siddhart Mallavarapu (Eds.) *International Relations in India. Theorising the Region and Nation*, Orient Longman, Hyderabad, India.
- Radtke, Kurt (2003) Sino-Indian Relations: Security, Dilemma, Ideological Polarization, or Cooperation Based on 'Comprehensive Security'? Perspectives on Global Development and Technology, vol. 2, issue 3-4, Leiden.

Ramachandaran, Shastri (2014) BRICS Forges Ahead With Two New Power Drivers – India and China, International Press Service News Agency, 17th July.

http://www.ipsnews.net/2014/07/brics-forges-ahead-with-two-new-power-drivers-india-and-china/

Ramo, Joshua Cooper (2004) The Beijing Consensus, The Foreign Policy Centre, London.

Saran, Shyam (2014, July 24). BRICS-The end of western dominance of the global financial and

economic order, IPS News. http://www.ipsnews.net/2014/07/brics-the-end-of-western-dominance-of-the-global-financial-and-economic-order/

Schmidt, Johannes Dragsbaek and Jacques Hersh (2018) Economic History and the 'East Wind'. Challenges to Eurocentrism, Monthly Review, New York, February, Volume 69, Number 9, pp.

Schmidt, Johannes Dragsbaek (2015) India's Rise, the European Union and the BRICS. An Uneasy Relation, in Marek Rewizorski (ed), The European Union and the BRICS. Complex Relations in the Era of Global Governance, Springer, Berlin.

Schmidt, Johannes Dragsbæk (2014a) "The Asia-Pacific Strategic Triangle: Unentangling the India, China, US Relations on Conflict and Security in South Asia". Journal of Asian Security and International Affairs. Volume I, Number 2.

Schmidt, Johannes Dragsbaek (2014b), India China Encroachment and Positioning in Southeast Asia, in Jakub Zajączkowski, Jivanta Schottli, Manish Thapa (Eds) India in the Contemporary World: Polity, Economy and International Relations, Delhi, Routledge.

Schmidt, Johannes Dragsbaek (2010),'A Cacophony of Crises: Systemic Failure and Reasserting People's Rights', Human Geography, Bolton, Massachusetts pp. 18-33.

Schmidt, Johannes Dragsbaek (2009) Social Compacts in Regional and Global Perspective. In: Revue Canadienne D'études du Développement / Canadian Journal of Development Studies. Vol. 28, No. 3-4, Pp. 455-474

Schmidt, Johannes Dragsbaek (2008), 'China's Soft Power Diplomacy in Southeast Asia', Copenhagen, *Journal of Asian Studies*, Vol 26, No. 1, pp. 22-49.

Sen, Philip S. (2010) Crouching Tiger, Hidden Dragon. India, China and the Dynamics of Energy

Security, in Medhi Amineh and Guang Yang (Eds.) *The Globalization of Energy: China and the European Union*, Brill, Leiden.

Siddiqi, Toufiq (2011) China and India: More Cooperation than Competition in Energy and Climate Change, *Journal of International Affairs*, Spring/Summer, Vol. 64, No. 2.

- Singh, Bhupendra Kumar (2010) Energy Security and India-China Cooperation, International Association for Energy Economics, First Quarter, Ohio.
- Sornarajah, Muthucumaraswamy (2010) India, China and Foreign Investment, in Muthucumaraswamy Sornarajah and Jiangyu Wang (Eds), *China, India and the International Economic Order*, Cambridge University Press.
- Spanakos, Anthony Peter (2010) China and Brazil: Potential Allies or Just BRICs in the Wall? *Journal of East Asian Policy*, Vol. 2, No. 2, April/June.

Times of India (2018) India-China bilateral trade hits historic high of \$84.44 billion in 2017, https://timesofindia.indiatimes.com/india/india-china-bilateral-trade-hits-historic-high-of-84-44-billion-in-2017/articleshow/63202401.cms, 7 March.

Trachtman, Joel P. (2010) The WTO and Development Policy in China and India, in Muthucumaraswamy Sornarajah and Jiangyu Wang (Eds), *China, India and the International Economic Order*, Cambridge University Press.

Tønneson, Stein and Åshild Kolås (2006) Energy Security in Asia: China, India, Oil and Peace, PRIO, Oslo.

Williams, Paul (2005) British Foreign Policy Under New Labour 1997-2005. Basingstoke: Palgrave.

Willrich, Mason (1975), Energy and World Politics, New York: Free Press.

Xuetang, Guo (2006) The Energy Security in Central Eurasia: the Geopolitical Implications to China's Energy Strategy, China and Eurasia Forum Quarterly, Volume 4, No. 4 (2006) p. 117-137.

CJAS Vol. 26, issue 1 2008

The Copenhagen Journal of Asian Studies

26(1) • 2008

International Relations Theory in Flux in View of China's 'Peaceful Rise' GORDON C. K. CHEUNG

China's Soft Power Diplomacy in Southeast Asia JOHANNES DRAGSBAEK SCHMIDT

Burning the Grassroots: Chen Boda and the Four Cleanups in Suburban Tianjin **JEREMY BROWN**

International Food Safety Standards: Catalysts for Increased Chinese Food Quality? WENCONG LU AND SØREN KJELDSEN-KRAGH

Book reviews

China's Soft Power Diplomacy in Southeast Asia

JOHANNES DRAGSBAEK SCHMIDT

Abstract

This paper is based on a critical comparative political economy perspective that seeks to explain interrelated variables, inconsistencies and potential disruptive effects of China's dramatic rise and entrance into the global political economy. Furthermore, the paper argues that one should in particular focus on the strategically political decision taken by the Chinese leadership to integrate China into the global political economy. During this process, they have allowed Chinese sovereignty, in the economic sphere at least, to become 'perforated', and thus increasing the number of actors in the policy sphere. However, any analysis of China's present overseas economic expansion and foreign policy interests must also consider Chinese realpolitik and the underlying forces that shape these interests. Due to this the present paper includes a security perspective on whether China's reliance on soft power is only a temporary phase on its way to gain regional cum global hegemony. The employed critical comparative political economy perspective is based on an eclectic approach to East and Southeast Asian international relations, employing realism, liberalism and constructivism to analytically differentiate between the different dimensions of the system's modus vivendi. Based on this recognition the paper analyses the new geo-political and geo-economic strategic relationship between China and Southeast Asia. Is Chinese encroachment into Southeast Asia creating greater stability, does it jeopardize US interests and what is the impact on the regime-types, economic restructuring, and the state-civil society relationship?

Keywords: Globalisation, regionalism, bilateralism, diaspora, USA, China, Southeast Asia.

Introduction

Globalization is rapidly changing the overall structure of the international division of labour with the shift of services and manufacturing from the old industrialized economies to the new emerging giants - the global office platform in India and the global factory floor in China. This dislocation in production, services and manufacturing signifies a challenge to the West but is also part and parcel of the inherent imbalances in the world economy. The question for international political economy is where and how countries like India and China fit in?

One possible answer is that we are entering a new phase of capitalism characterized by a changing production pattern with a shift of economic gravity to the East with corresponding consequences for labour markets, wage levels and living standards in the West; another scenario is related to the substance of the re-emergence of protectionism and a repeat of the all-out tariff battles that led to the Great Depression in the 1930s. In short, and very significantly, it is necessary to ask what the responses are of the old economies that are loosing out (*Newsweek* February 6, 2006)

In their seminal account 'China Awakes', Kristof and Wudunn noted: 'Almost overnight China has changed' (1994: 9). Although their observations primarily focused on internal dynamics and social and political changes, this book revealed the contours of a new 'Asian miracle' based on the premises and earlier experiences of the developmental state as exemplified in the 'command capitalist' strategy in Japan, South Korea and Taiwan. The new literature on China has concentrated on the country's ability and success to attract foreign investment and the accompanying high economic growth rates. China is rapidly ascending to the status of a new economic, as well as political and military power, both regionally and globally. The world's most populous nation of some 1.3 billion people is already the seventh largest economy in terms of GDP as well as the third-biggest trading nation after Germany and the US. China's booming economy attracted FDI worth more than \$60 billion in 2004, making it the world's biggest FDI recipient. China's sharply growing exports also accumulated more than \$700 billion in foreign reserves, the second-largest amount in the world after Japan's nearly \$850 billion. In addition, total employment in China is estimated around 750 million, which is about one and a half times that of the whole of the OECD with enormous labour reserve in agriculture and the informal sector ready to migrate to the coastal areas if, or rather when, labour markets tighten.

Many of these issues are well covered in the academic literature, but what is really new, is the fact that Chinese enterprises themselves are now investing worldwide and across a broad range of economic activities, ranging from trading and banking, to manufacturing and natural resource exploitation. UNCTAD (2005) estimated that China's outward FDI amounted to almost 39 billion in 2004. These data indicate that China has become a global player with operations established in more than 160 countries. This has led many commentators to speculate about the impact of Chinese overseas involvement: 'President Hu Jintao spent more time in Latin America last year than President Bush. And China's vice president, Zeng Qinghong, spent more time in the region last month

than his US counterpart, Vice President Dick Cheney, over the past four years' (*Miami Herald* February 2, 2005 cf Landau 2005).

While the Bush administration asked Congress to increase US indebtedness with an additional \$81 billion in order to keep forces in Afghanistan and Iraq, China offered more than \$50 billion in investment and credits to countries inside the traditional Monroe Doctrine's shield. That sum surpasses President Kennedy's well known \$20 billion package for the decade of the Alliance for Progress in the 1960s. In 1975, Chinese trade with Latin America amounted to \$200 million; in 2004, it had reached over \$40 billion. China has become one of the foremost players in the era of globalization, which US leaders promoted without considering that China might avail itself of this opportunity to move into previously sacrosanct US spheres (Landau 2005).

At the same time, China's very rapid capital accumulation has brought a spectacular rise in its share of world GDP, nearly tripling from 5 percent to 14 percent in a quarter of a century. China alone has made up for the collapsed output share of the ex-Soviet Union and Eastern Europe and much of the downward drift in the share of Europe and Japan (Glyn 2005: 8).

China is using 'soft power' remedies to nurture 'alliances with many developing countries to solidify its position in the World Trade Organization, flex its muscles on the world stage and act as a counterbalance to US power' (*Chicago Tribune* December 20, 2004 cf Landau 2005). This is also the case in Sub-Saharan Africa and Asia, where governments and business welcome Chinese investment and cooperation as an alternative to Washington's overwhelming obsession with security and 'hard power' related issues.

It seems clear that the Chinese leadership attempts to increase its ability to attract and persuade the world community, regional groups and individual states to comply with its interests. In contrast the present strategy of the Bush administration is an extension of its ability to coerce as a means of implementing US foreign policy exclusively relying on military or economic might. Soft power arises from the attractiveness of a country's culture, political ideals, and policies. Hard power remains crucial in a world of states trying to guard their independence and of non-state groups willing to turn to violence.

The neo-conservatives who advise the president are making a major miscalculation: They focus too heavily on using military power to force other nations to do America's will, and they pay too little heed to our soft power. It is soft power that will help prevent terrorists from recruit-

ing supporters from among the moderate majority. And it is soft power that will help us deal with critical global issues that require multilateral cooperation among states. And it is soft power that will help the US to deal with critical global issues that require multilateral cooperation among states. That is why it is so essential that America better understands and applies soft power. (Nye 2004a; 2004b; 2003).

Thanks to an overly narrow focus on terrorism and a tendency to place bilateral ties above multilateral relationships, the United States is also losing its influence in Southeast Asia to China. China targets Southeast Asia as a region with a very assertive ASEAN policy.

US security policies following the 11 September 2001 terrorist attacks have played a significant role in its estrangement. However, the problem in fact goes back to the Asian financial crisis of 1997, when the Clinton administration used its influence on the IMF to impose US business-friendly solutions on the region.

China's decision not to revalue its currency helped stabilize the regional economic order. Shortly after that, China, Japan and South Korea began holding annual discussions with Southeast Asia under the ASEAN-plus-three formula. In 1999, after China's accession to the WTO, ASEAN governments began to worry about the impact of Sino-US trade relations. As a result, China proposed a free trade agreement (FTA) with Southeast Asia, the framework for which was signed in 2002.

It seems that China will soon become ASEAN's second-largest trading partner and bilateral trade could reach US\$200 billion by 2010. Road and dam building, consolidation of control over the South China Sea, trade and investment combined with overseas development aid (ODA) and military assistance, might eventually result in China's domination of Southeast Asia regardless of Beijing's intentions.

The question is whether we are watching a Chinese replay of the Japanese Flying Geese scheme with the moving of production platforms, FDIs combined with ODA and other diplomatic remedies to the catching-up formation in a pattern similar to that of Japan and later East Asian NICs in the past decades. As a by-product of such a course, China will sooner or later replace the United States as the region's most important strategic partner.

Although the global contradictions and problems provide the overall context, the purpose of this contribution is devoted to provide insight into, and investigate how, these emerging tendencies in the region are spelled out in the triangular relationship between China and the United States in Southeast Asia.

The approach of the paper relies on a critical comparative international political economy perspective (Cox 1990; Evans & Stephens 1988a and 1988b; Strange 1994 & 1996) which seeks to explain the interrelated variables, inconsistencies and disruptive effects of China's dramatic rise and insertion into the global political economy, and the concomitant increase of foreign debt in the United States and its obsession with security and terrorism, respectively. The focus then is broadened into one that not only takes the state alone into consideration but also realizes that: 'Through conscious political decision, elements of the Chinese leadership have chosen to integrate China - or at least, parts of China - into the global political economy. In the process, they have allowed Chinese sovereignty, in the economic sphere at least, to become 'perforated', and increased the number of actors in the policy sphere' (Breslin 2002: 34). However, any analysis of China's present overseas economic expansion and foreign policy interests, must also consider Chinese realpolitik and the underlying forces which shape these interests. It should especially include the fact that the state and local government authorities play a significant role makes it imperative to focus on these factors which are unique to China. Therefore, this paper includes a security perspective on whether China's reliance on soft power is only a temporary phase on its way to regional cum global hegemony (Nye 2006). The critical comparative international political economy perspective is based on an eclectic approach to East and Southeast Asian international relations, employing realism, liberalism and constructivism to analytically differentiate between the different dimensions of the system's modus vivendi (Katzenstein and Okawara 2001/02: 167-185).

Based on this recognition the paper analyses the new geo-political and geo-economic strategic relationship between China and Southeast Asia. Is Chinese encroachment into Southeast Asia creating greater stability, does it jeopardize US interests and what is the impact on the regimetypes, economic restructuring, and the state-civil society relationship?

From Fifth Column to Investor

China's strategic interest in Southeast Asia goes back centuries exerting suzerainty of the region. In more modern times, such as during the Cold War, the CCP supported insurgencies and communist governments across the region. After the US defeat in Indochina, Beijing became perceived as a direct threat in Vietnam in 1979, when Chinese troops crossed the Sino-Vietnamese border to 'teach Vietnam a lesson' over its invasion and occupation of neighbouring Cambodia.

During the wave of national liberation struggles in Southeast Asia, the pro-American ruling classes facing strong local communist parties, such as in Indonesia and, revolutionary movements as in Thailand, Malaysia, Philippines and Burma, were receptive to the US policy which portrayed the communist regime in China as the source of the menace to these societies. Today, mutual perception and trust in Sino-ASEAN relations has become important for both sides (Twining 2005). Furthermore, this relationship has strengthened as a consequence 'of the post-Mao leadership's acknowledgement of the ideological and political reliability of Singaporean-style authoritarianism as a worthwhile formula for its own reform process' (Hersh 1998:32).

Thus, the former hostilities have been turned into claims by Beijing that its growing influence in Asia threatens no-one and is to the mutual benefit of all. Zheng Bijan, dean of the influential CCP School says that 'If China does not provide economic opportunities for the region, it will lose the opportunity for a peaceful rise....This is by no means a bid for hegemony' (Brookings 2005).

Some US based observers see China's bilateral engagement with Asia as more political than economic. In a testimony to Congress, Assistant Secretary of State James Kelly claimed that the bilateral agreements mean little in economic terms, 'but they serve notice of how China is using its newly won economic power to expand its presence and political influence among its southern neighbors' (Economy 2005). Such statements are intriguing as they confirm a change in US policy towards China from a friendly competitor to a strategic rival.

China's renewed interest in bilateral engagement with Southeast Asia comes in several spates which will be touched upon in the following. First and foremost, is the increase in development aid and trade volumes; second is the increase of FDI both inward and outward; third is related to China's need for oil, gas and other energy sources; and finally security, defence and diplomacy related matters which cannot be separated from the above. This strategy is embedded in a regional and multilateral umbrella which will be discussed in the second and third sections of the paper.

China's relation with ASEAN is affected by the way the state controls its insertion into the global division of labour and manages its growth and overseas expansion under a dual-trading regime of export promotion and import substitution (Low 2003: 72). One analysis of the impact of Chinese exports on its Asian competitors shows that countries producing consumer goods based on low wages are increasingly suffering negative

consequences as China's share of world trade grows. Thailand, Cambodia or Laos are not able to compete with base wages as reported from Guangdong at about \$80 per month and working hours up to 80 per week. The harsh discipline imposed on the Chinese working class and the fact that no independent unions exist translating in appalling working conditions makes it almost impossible for others to compete (Glyn 2005: 12-13).

China's rapid strides in expanding its trade relations with Southeast Asia have been paralleled by the growth of its role as a source of regional investment. As it secures the resources necessary to fuel its growth, Chinese state-owned enterprises (SOEs) are investing heavily in mining, natural gas, and logging opportunities throughout the region. China has committed US\$100 million in aid and investment to Myanmar and is actively extracting Indonesian natural gas, investing in infrastructure development in the Philippines, establishing rail and highway links with Cambodia, Thailand and Singapore, and promising to dredge part of the Mekong River in Laos and Myanmar to make it suitable for commercial navigation (Economy: 2005: 6). Also private Chinese companies are rapidly joining the SOEs in their search for new investment opportunities.

China tries to reassure its neighbours by claiming that its growing regional importance is a win-win situation for all. Nonetheless, some countries are seeing the benefits moving largely one way. In Myanmar and Cambodia, newly signed deals with China are generating fears of economic dependence and political domination. A trade agreement with Thailand has benefited China's exporters. The first cries of complaint are being heard. 'China has found it relatively easy in recent years to build closer ties to its neighbours with rhetoric about nurturing an East Asian economic community', says David Shambaugh. 'But striking specific deals in specific areas to China's benefit,' he contends, 'will drive a wedge into the diplomatic progress China has made' (Vatikiotis 2004a: 12).

ASEAN-China trade totalled US\$ 39.5 billion and US\$ 41.6 billion respectively in 2000 and 2001. ASEAN's share in China's foreign merchandise trade has been continuously on the rise, increasing from 5.8 percent in 1994 to 8.3 percent in 2000. China is now the sixth biggest trading partner of ASEAN (Tongzon 2005: 191). The two-way trade between China and ASEAN has been growing at a much faster pace than that between Japan and ASEAN in recent years. China-ASEAN trade topped \$100 billion in 2004, and soared 25% in the first half of 2005 from a year earlier amid ongoing reductions in tariffs. ASEAN is now China's fourth-largest trading partner behind the European

Union, the US and Japan. China has already superseded the US as the biggest trading partner of Japan and South Korea. For ASEAN, the US and Japan are still the two biggest trading partners. It is just a matter of time before China will replace both as ASEAN's biggest trading partner (Masaki 2005).

In 2005, ASEAN became China's fourth-largest trading partner behind the European Union, the US and Japan. China has already superseded the US as the biggest trading partner of Japan and South Korea. It is just a matter of time before China will replace the US and Japan as ASEAN's biggest trading partner (Masaki 2005). China's export structure is similar in many respects to that of the ASEAN countries. The PRC is an export rival to its regional neighbours in both labour-intensive products and in goods with greater technological complexity. It is also a competitor in terms of its capacity to attract FDI, which can only increase at the expense of others. In competitive export capacity the PRC is a threat to Thailand and other Southeast Asian economies' market shares in the EU, US and Japan (Holst and Weiss 2005). More intense competition is, therefore, to be expected in third-country markets and ASEAN domestic markets with the establishment of a FTA. China has the lowest unit labour cost and thus a comparative wage advantage in relation to the original ASEAN-6. Even with regard to productivity increase, China's output per worker is growing faster than that in the Philippines, Malaysia and Indonesia (Tongzon 2005: 208).

In smaller countries like Myanmar, Laos and Cambodia, the economic imbalances in the two-way trade are even more apparent. Chinese exports to Myanmar in 2003 were valued to be as high as \$900 million, compared with \$170 million in exports from Myanmar into China. Laos absorbed Chinese goods valued at almost \$90 million in 2003, more than double the 2002 figure. Laotian exports to China meanwhile, amounted to \$8 million, a 15% increase (Vatikiotis 2004a: 12).

The situation in Myanmar has clear similarities with Cambodia. China has supplied more than US\$1.6 billion in arms to the country and continues to train a significant number of its military. In March 2004, Chinese vice-Premier Wu Yi was in Yangon to sign 24 pacts on economic and technical cooperation. The Chinese also gave Myanmar \$200 million in low-interest loans. Myanmar's collaboration with China has become so close that some observers claim that Beijing now has a big say in domestic politics. Diplomatic sources say that a common complaint is that China is also dumping cheap goods and demanding special privileges for Chinese companies (Vatikiotis 2004b: 12). China

wants to secure stable oil and other energy supplies by land, as well as by sea. Speculation is rife about the idea of building an oil pipeline running across Myanmar to Kunming at an estimated cost of \$2 billion (Masaki 2005). Beijing has a strategic interest and motive behind its dealings with the military junta. In this way, 'China has supplied about US\$ two billion for armaments that have made the Burmese military, the second largest in Southeast Asia after Vietnam, much more technically sophisticated. It has helped the construction of roads, railroads, airfields, ports, and dams....Equally important are unrecorded Chinese influences: Chinese investment – probably the largest of any foreign country – is not found in international statistics' (Frost 2004: 334).

In Cambodia, closer ties to Beijing are spawning economic, political and even military agreements that, some officials fear, ties their country too closely to China. In November 2003, China and Cambodia signed a military agreement under which Beijing provides funds for military training as well as equipment. Cambodia also has accepted aid to help build a railway linking China's Yunnan province to the Cambodian seashore, a strategic priority for Beijing. China has lent Cambodia more than \$45 million during the past two years, mostly on interest-free terms. For some Cambodians, China has gained a strategic foothold in the country at the expense of Cambodian autonomy and is geo-politically using Cambodia as a buffer against its old foe, Vietnam.

China has also funded the 'North-South Corridor' project to build a highway linking Kunming and Bangkok via Laos. The highway is scheduled to be completely opened to traffic in 2011. Japan balked at funding the project, partly out of fear of lending China a hand in increasing its influence southward on the Indochina peninsula. China also set up a special fund totalling \$20 million within the ADB for poverty alleviation of the region in 2004 (Masaki 2005).

As an economic, political and cultural power house, China has been adept at overtaking the US in what American political scientist Joseph Nye has dubbed the soft power approach in influencing foreign societies' public opinions, and achieve sympathy.

In a trade related issue, Thailand has asked for support from Beijing, which has promised to train more Thai Chinese language teachers, send native speakers to work in Thai schools, and provide free teaching materials. Whether this has implications for the Thai population's view of China is difficult to discern, but according to one poll in 2003, 76 percent of Thais said that China was Thailand's closest friend as opposed to 9 percent who named the United States (Vaughn 2005: 20).

These figures imply that there is a clear strategic link between FDI, ODA, military support and a specific focus on export of cultural values.

China is already supporting language training in dozens of countries and reportedly has set a target of raising the number of foreigners studying Mandarin around the world to 100 million by 2010. Currently, more than 30 million people worldwide are studying Mandarin. Since 2004, China's Education Ministry has opened cultural language centres called Confucius Institutes in over 20 countries. In 2004, 110,844 foreigners from 178 countries were studying Mandarin in China, says Xinhua, up 43 percent on 2003. In Southeast Asia, private language schools in Malaysia and Indonesia report rising enrolment in Chinese classes (Montlake 2006). This will also have important spill-over effects on future trade and investment patterns.

Some observers argue that, dynamic economic growth will propel overseas investment in the ASEAN countries, rather than divert FDI from the region. 'China's rapid growth will result in a shift in comparative advantage between the region and China....In the near future, China could well constitute the fourth wave of FDI for Southeast Asia...' (Wong and Chan 2003: 278-279).

In a specific case, which illustrates these points, Chinese firms are reportedly aggressively grabbing local market shares for manufactured items like motorcycles and other consumer products. A Chinese semi-state-owned enterprise TCL invested \$ 10 million in Vietnam to manufacture colour TVs, and within three years edged out foreign rivals - Sony and Samsung - to grab a 15 percent share of the Vietnamese market (Wong and Chan 2003: 297).

Furthermore, the region is host to a relatively big share of Chinese outward investment in non-trading activities. Although there is substantial disagreement about the actual figures, China is now either the third or fourth biggest investor or rapidly climbing to become number one (Frost 2004). Thailand attracted the largest number of Chinese projects and garners the greatest share of investment (Wong and Chan 2003: 286). This rapidly growing flow of outward direct investment from China is primarily state-owned capital, but private Chinese companies have also started to see benefits of investing abroad.

With a Chinese domestic market of 1.3 billion people and plenty of low-cost labour, it might be surprising to find companies looking at investing offshore. Yet, as China grows and competition intensifies, some companies are searching for new markets and try to develop global brands. They may also be aiming to escape regulatory barriers

and overcapacity at home and, in the most developed areas, higher land and labour costs. Besides with protectionism growing in the US and EU against Chinese exports, a foreign presence can be a clear advantage. Sluggish domestic demand and declining profit margins have in some cases forced manufacturers such as the consumer-goods giant Haier, and the electronics heavyweights Changhong and Konka to establish production bases outside China (Vatiokakis 2004).

Beijing openly shows its desire to promote Chinese overseas investment. Premier Wen Jiabao told a business audience at an ASEAN summit in Bali in October 2003: 'The Chinese government will encourage more of its companies to make investment and establish their businesses in Asian countries' (Vatiokakis 2004). More than 100 Chinese business executives attended an investment forum held in conjunction with the Bali summit and another 40 companies went to an Asia Pacific Economic Forum investment conference in Bangkok the same month.

Despite Premier Wen Jiabao's encouragement, and China's accession to the WTO in late 2002, outward investment still requires official approval. Projects that exceed \$30 million must go to the State Council, China's cabinet. From Beijing's point of view, lifting all barriers to overseas investment could risk a stampede with capital-rich companies bidding against each other for foreign assets, something that has already happened in the oil industry (Vatikiotis 2004a).

In the more recent past, the bulk of China's overseas investments went primarily to resource-based extraction like in oil and gas in Australia, Indonesia and Thailand. However, now Chinese manufacturers are scouting the region for production platforms to penetrate new markets. Chinese companies now supply Indonesia with electric-power plants and mobile-phone networks, and there are plans to build a 17-hectare China business centre in Jakarta. Chinese investors come to Thailand 'to use the country as a gateway to the ASEAN market,' says BOI Secretary-General Somphong Wanapha (Vatikiotis 2004a).

FDI flows also create problems. While the growth of China hypothetically can be a boon to the rest of the world in the long run, it can also be a cause for concern to Southeast Asia in the short and middle terms. When one considers the fact that China is now expected to capture 6.5 percent of the total FDI for the next five years, the fight for the leftovers is even more severe. 'That is to say, 10 Southeast Asian countries have to compete for the remaining 23.5 percent of the FDI left by China - an average of little more than 2 percent for each country' (Beng 2002).

These features partly explain why FDI into Southeast Asia has been declining dramatically. In this context, it is easy to understand why ASEAN is now trying to develop a close relationship to China. In 2000, Southeast Asia received just \$10 billion of foreign capital, a 37 percent decline from the \$16 billion in 1999. The figure was \$27 billion in 1996 and \$19 billion in 1998. China is the lone beneficiary of the global investment flows while Southeast Asia both on individual country by country basis and as a region has been excluded as a major recipient of global FDI flows (Beng 2002).

This situation means that the region found itself in a catch 22 situation in competing for a share of FDI. Globalization has now turned the world into a beauty contest where the most attractive country or region will stand to gain the most from the flows of funds (Beng 2002). In other words, the region has entered the race-to-the-bottom which implies a decrease in regulation levels of labour relations, as well as an irreversible process that seeks to exert a downward pressure on welfare and social benefits that are presumed to 'inhibit' the incentive to work (Schmidt 2006b).

Indeed, the political establishments of Southeast Asia have to satisfy the expectations of international investors in as many areas as possible. Most notably, they have to strengthen the region's business outlook encompassing transparency, accountability and fair competition. Barring such efforts, FDI will continue to make its way into neighbouring and other regions, to the detriment of Southeast Asia. Capital goes to places where profits can be guaranteed. Right now, unless ASEAN makes Southeast Asia better and safer than China, the flows of future FDI will continue to go north.

It is interesting, in passim, to note with Callahan, that 'it is common to assume that Western multinational corporations are the main investors in China. But diasporic Chinese (including Taiwan and Hong Kong) account for around 80 percent of foreign direct investment in the PRC' and 'Thailand's CP Group is the largest foreign investor in China' (Callahan 2003: 491/500). This is important because although the bulk of outward investment from China remains state-driven, it is indeed plausible that some capital is recycled back through formal and informal diasporic networks.

Moving now to the pertinent issue of energy it has become clear that since 1993 China has become a net importer of crude oil. The Chinese economy is now the world's second-largest oil consumer, after the US. PRC already depends on imports for as much as 40% of its oil needs, nearly half of which comes from the Middle East. About 80 percent of

Chinese oil imports are shipped through the Malacca Strait, a waterway notorious for piracy activities (Masaki 2005). Chinese investments in Indonesian oil, gas and power plants will certainly increase further under the Susilo Bambang Yudhyono administration. Jakarta needs FDI urgently and Beijing is promising to deliver. Sino-Indonesian ties have undeniably improved since the 1990 normalisation of relations. Resource and oil rich Indonesia is the most important state in the region for energy-deficient China (Low 2003: 73). The recent signing of the Strategic Partnership Agreement between the two countries in Jakarta on April 24, 2005 is certainly an historical event.

Former President Megawati also focused on closer economic relations with China. A Memorandum of Understanding was signed in 2002 which established an Indonesia-China Energy Forum. This was followed by PetroChina's moves to secure oil fields in Indonesia. China's National Offshore Oil Corporation has also invested in Indonesia's energy sector. In 2002, Indonesia won a contract to supply liquid natural gas to China's Fujian Province. From 1992 to 2002 bilateral trade between Indonesia and China increased from \$2 billion to \$8 billion while Chinese investment in Indonesia has grown from \$282 million in 1999 to \$6.8 billion in 2003. Despite growing economic ties, some analysts see Indonesia's desire to play a leading role within Southeast Asia as potentially creating a geo-political rivalry with China (Vaughn 2005: 27). There is a possibility that the economic relationship may not deliver the benefits to Indonesia that some have come to expect. In fact, 'most analysts agree that China's changing export profile represents a serious threat to the future export competitiveness of most Southeast Asian countries.' According to Chia Siow Yue, 'the export overlap between China and Indonesia is 83 percent and the overlap between China and Singapore is 38 percent' (Hart-Landsberg and Burkett: 88).

Beijing seems intent in pursuing a more active diplomacy around its southern periphery in Southeast Asia, including using 'renminbi diplomacy' and defence co-operation. China's US\$400 million loan to the Philippines for a rail link between Manila and the former US airbase Clark was a carrot for Manila to conclude a defence co-operation agreement with China, although the Philippines remains an important ally of the United States. Manila has since signed an agreement to co-operate in joint oil and gas exploration in the disputed Spratley Islands in the South China Sea. In March 2005, the state-owned oil companies from China, Vietnam, and the Philippines signed a three-year deal to jointly search for oil and gas in the disputed area (Economy 2005: 8).

During the bilateral quarrel between China and Singapore in 2004, there were rumours that the People's Liberation Army (PLA) had offered to sell Chinese missiles to Malaysia, so as to calm the Malay majority's suspicions of China. Defence co-operation between Jakarta and Beijing has also been touted recently. In concrete terms, China has established a listening post in Myanmar; and in 2002, China signed its first ever border agreement with Vietnam. The two countries also conducted a joint campaign to clear all the landmines along their border, resulting in an increase of border trade to \$4 billion yuan (Economy: 2005: 7).

Between 1999 and 2000, China has succeeded in signing bilateral political agreements with all ASEAN countries that are aimed at boosting bilateral long-term cooperation in the new century. Moreover, Chinese leaders have made full use of their attendance at almost all multilateral forums, to conduct bilateral meetings with their ASEAN counterparts. For China, the relationship between multilateralism and bilateralism, thus, is a reciprocal one (Cheng-Chwee 2005). In all cases, Beijing has shown real panache and sophistication in dealing diplomatically with individual ASEAN countries, while promoting the much-touted ASEAN-China FTA (to be in effect by 2010). It has even managed to implement a foreign policy relying on 'divided to rule' within ASEAN, as illustrated by the recent Sino-Singaporean spat in which Beijing openly favoured and courted Singapore's ASEAN partners, who seemed just as keen to be courted by the Chinese panda (Teo 2005).

Rivals in Regionalism - The New East Asian Community

Few major international relationships have changed so rapidly as the Chinese-ASEAN rapprochement. Today, all countries of the region embrace and acknowledge publicly the 'one-China' policy. This is to high degree a consequence of better Sino-ASEAN economic ties, but also implies that Taipei will be left with little room to carry out economic diplomacy with Southeast Asia' (Cheng-Chwee 2005: 113). China has shown a definite readiness to use its growing soft power, notably economic leverage and national image and the benefits that accrue from non-material, ideational and cultural influences as a persuasive means to translate its influence into concrete policy interests.

This also implies that ASEAN has witnessed a major conceptual change of its Northern neighbour, from what was termed a 'China threat' to one of a 'benign' China with opportunities. Three factors encouraged this evolution: 1) China's pragmatic policy of political stabilisation denotes a radical political shift in terms of appearament; 2) the real catalyst was an

outcome of the financial crisis with the Chinese leadership's decision not to devalue the renminbi and the later bonus of surplus trade, accorded to ASEAN countries by Beijing; and 3) The shift - or reduced threat-perception is also due to Beijing's new, active foreign policy and sophisticated diplomacy, based on the smooth internal transitions from Deng Xiaoping to the Jiang Zemin-Zhu Rongji team, and then to the present Hu Jintao-Wen Jiabao team. Four areas of Beijing's present foreign policy sophistication would include a less pompous, but more pragmatic foreign policy; a growing economic diplomacy; a thrust towards international integration and finally, a struggle for multi-polarity in the world (Teo 2005).

Official relations between China and ASEAN began in July 1991 when Beijing started attending the ASEAN Post-Ministerial Conference. This was followed by various cooperation and partnership agreements with ASEAN, including one on Comprehensive Economic Cooperation, one on the South China Sea, and another on Non-Traditional Security Issues (Beng 2003). Since July 1994, China has also become a full dialogue partner of ASEAN and a member of the ASEAN Regional Forum (ARF).

All these diplomatic partnership agreements help to assure the ASEAN-countries of a more benign China in its outlook and national strategy, and have reduced the previous perception. China is increasingly being recognized not only as a benign power, but also as a responsible actor on the world stage. The key to this policy change has been Beijing's move towards pragmatism, which can be observed in both China's domestic policies and external relations.

Southeast Asia appreciates the normalisation of China's new approach. This is encompassed in a greater sophistication of its foreign policy, and Beijing has deliberately redesigned its overall strategic engagement with the region based on an active policy of strategic friendship with ASEAN countries.

Beijing's new security concept can also be interpreted as aiming at undermining US influence in Southeast Asia and loosen its alliances with Thailand and the Philippines. For example, in 1999, Chinese President Jiang Zemin warned ASEAN states against 'hegemonism and power politics' and 'gunboat diplomacy,' code words for the United States. China is not against playing power politics itself. Chinese inroads in Myanmar, Laos, and Cambodia, through economic aid and military assistance, have become a cause of geo-strategic concern in Vietnam and India, which view China's presence in these countries as creating levers of influence (Thayer 2004: 181).

Related to the soft power engagement in the region, China has taken a more active role in the ADB and was the prime mover in the establishment of the Boao Forum, the Asian version of Davos. All of these initiatives can be grouped under the rubric of China's new soft power security concept,

which emphasizes cooperative (win-win) security, confidence building, and multilateral engagement. The popularity China has garnered from these activities is no doubt also enhanced by the economic opportunities it presents to regional states. Yet, without China's active engagement of multilateral institutions, its growing bulk might provoke more fear than admiration, much as it did during the early and mid-1990s. Beijing's multilateral engagement has enabled it to improve its material position and its image simultaneously. The fact that this engagement furthers Chinese interests does not make it any less welcome in the region (Heginbotham and Twomey 2005: 246).

The smooth transition from Jiang-Zhu to Hu-Wen - despite the western critique of China's lack of human rights and democracy is considered as another plus by the ASEAN elites. The common impression in the region is that the new generation of Chinese leaders is taking a more business-like and pragmatic approach to foreign affairs.

In 1996, the Chinese leadership engaged a new security concept in an attempt to develop mutual trust and ties of common interest with the aim of promoting genuine security and create regional calm. In the aftermath of the Asian financial crisis, Beijing offered economic assistance to the worst hit economies. In fact, the financial crisis contributed to a major foreign policy change towards a more active Chinese engagement with Asian multilateral security and regional organizations (Foot 2006: 85).

Moreover the crisis changed the regional perception of the US and EU's intentions. 'In this context, the Chinese prime minister Zhu Rongji declared in November 2000 that China stood 'ready to work with other East Asian countries for the reform of the current international financial architecture', and was 'open to all ideas' about financial cooperation in the region' (Sohn 2005: 495).

China not only refrained from devaluing the renminbi but also provided a US\$1 billion loan bailout of Thailand. Despite objections by the IMF and Washington, in June, 2003, 'China and 10 other Asia-Pacific countries, including five ASEAN members, agreed to establish an Asian Bond Fund worth more than \$1 billion to help bail out economies in crisis' (Economy: 2005: 6). Soon after in December 2004 China implemented a second bond fund for another \$2 billion to be invested in Asian currency-denominated government bonds. Indeed it is possible to argue that

The region – policy elite and wider community alike – perceived IMF policy throughout the late 1990s as humiliating and wrong. In the summer of 1997 the IMF (and the US government) impeded the Japanese initiative to create an Asian liquidity fund. The Asian Monetary Fund (AMF as it would have been called) was explicitly to apply softer conditions than those of the IMF. The AMF's concept corresponded more to that of a 'lender of last resort' than the IMF. Essentially, the AMF idea was about providing unconditional loans to overcome liquidity crises (Dieter & Higgott 2003: 442).

These initiatives on financial matters were taken in parallel with several moves on the diplomatic front towards ASEAN. In November 2002, China signed two documents: a framework trade agreement designed to establish an ASEAN-China FTA by 2010, and also with ASEAN members, a Declaration on the Conduct of Parties in the South China Sea, renouncing violent means of dealing with disputed sovereignty claims in these waters. In October 2003 it became the first major Asian state outside ASEAN to sign up to the association's Treaty of Amity and Cooperation, the provisions of which likewise rule out the use of force for settling issues in dispute (Foot 2006: 85-86).

'China has expressed ... to work towards signing the Southeast Asia Nuclear Weapons-free Zone.' The agreement underscores the willingness of China to refrain from the use of force as an instrument of policy (Beng 2003).

As Dieter and Higgott note 'what we are seeing is the contours of a new regionalism in Asia that exhibits three overlapping and complex trends':

- 1. An interest in monetary regionalism arising from the desire that has emerged, since the financial crises of the late 1990s, to combat financial volatility.
- An interest in bilateral trade initiatives within the context of the wider multilateral system, largely at the expense of the US endorsed Asia Pacific Economic Cooperation (APEC) style of open regionalism of the 1990s.
- 3. The emergence of a regional *voice* beyond that of the sub-regions Southeast and Northeast Asia but more restricted than that of the Pacific as a mega region. The voice of region in the global political economy that is emerging is a new one, an 'East Asian' one (Dieter & Higgott 2003: 446).

As a consequence, it is of interest to ask whether China is able to keep up its close ties with ASEAN and other regional partners. The following section argues that the main objective is to free itself from the encirclement of the United States. If China's history of foreign relations is taken into further account, Beijing's words can indeed be taken at face value (Beng 2003). Yet the outreach to Southeast Asia

is not entirely altruistic. It has been worked into the grand Chinese strategic calculation of how to cultivate a multipolar world, in which the US, the current hegemonic power, would loose its dominance. Similarly, China's diplomatic overtures to ASEAN can be interpreted as an attempt to pre-empt member-states from increasing their bilateral security cooperation with the US. It is also a foreign policy goal to prevent Indonesia and Australia from further enhancing their military relationship following the signing of a security pact in 1995. 'To be sure, Beijing is trying to forge a diplomatic strategy to prevent other countries from 'uniting' against China by virtue of a perceived fear of a 'China threat', economic or otherwise. That said, the principal focus has been on countering the lengthening shadow of the United States on the region' (Beng 2003).

This might have serious consequences for the creation of a new regional entity, and not least on the Chinese rivalry with Japan for a leadership role of the region. Although a lot of discussions and energy has been devoted as to whether the East Asian Community (EAC) should be seen as an alternative to the US-led APEC, or be more inclusive towards Canberra and Washington, Japan and China have been in constant rivalry about who should lead the process. This has placed ASEAN in the middle as the two nations have competed for increasing ties with ASEAN. Taken alone as individual countries, the 10 ASEAN members are much smaller than Japan and China, but they wield a strong voice in East Asia when acting as a collective (Masaki 2005).

China has had the upper hand by taking a number of early concrete initiatives. In a geo-economic perspective, the Framework Agreement for Overall Economic Cooperation signed in November 2002 became the starting point for the creation of the world's biggest free trade zone with more than 1.8 billion people. Under that agreement, China and the old ASEAN members will put zero tariffs on most basic products by 2010. China and Cambodia, Laos, Myanmar and Vietnam will do the same by 2015. A year after the China-ASEAN framework agreement, Japan and ASEAN signed the similar Framework for Comprehensive Economic Partnership in October 2003, starting the process of creating a free trade zone by 2012. Japan has already concluded a FTA with Singapore and reached basic FTA agreements separately with the Philippines, Malaysia and Thailand. Japan's FTA negotiations with Indonesia and the whole of ASEAN got under way in 2005 (Masaki 2005).

In a geo-political perspective, China has taken a number of diplomatic initiatives as well.

These assertive and at times conflicting Chinese policies apparently reflect a desire to assuage the perception of China among some in ASEAN as the most serious security threat to their countries and thereby to forge closer ties with the grouping. Cementing ties with ASEAN in general - and the joint oil-exploration agreement with Vietnam and the Philippines in particular - is also seen by some as part of efforts to pre-empt a possible US-led containment of China (Masaki 2005).

This illuminates the fact that geo-political concerns have important impacts on geo-economic problems such as the creation of an Asian Monetary Fund and/or the EAC.

Beijing's new soft diplomacy, especially with regard to its Asian neighbours, has evolved into a sophisticated and active soft power policy, and it has to be recognized that China is seeking or at least searching for a hegemonic role regionally, internationally, strategically and diplomatically. Now Beijing's Asian neighbours are accommodating their Chinese companion, but their dreams may turn out to be different.

Understanding China's soft power diplomacy in Southeast Asia

ASEAN has sought to restrain Chinese power by enmeshing it in regional institutions. Whereas ASEAN is engaging China to tame the aggressive realpolitik that has characterised Chinese foreign relations, Beijing views the same institutions as a way to extend its regional influence and has sought to exclude the US. In planning for the first EAC summit, which was held in Malaysia, China tried to exclude India, Australia and New Zealand, but was overruled by Japan and ASEAN members. As China's regional influence grows, most ASEAN members are working to push against or balance Chinese power. While deepening trade and diplomatic co-operation with Beijing, many members, US allies such as Thailand and the Philippines, key 'swing states' such as Singapore, and emerging regional powers such as Indonesia, have also increased security ties with Washington (Twining 2005).

The question is why the US has changed its policy in the region from a benign power to one almost squarely focusing on hard power balance issues including terrorism as the overall obsession. For Southeast Asia, long under the United States' political and economic influence, times are rapidly moving in a new direction. A decade ago about three-quarters of US investment in East Asia went to Southeast Asia. That figure has now fallen to 10 percent. Approximately 80 percent of US investment in East Asia now goes to China (Thayer 2004: 178).

The United States remains the region's single biggest destination for exports, and will be for some years to come. This is probably why the White House is on the defensive in terms of coming to grasp with the regional and multilateral setting in East and Southeast Asia. As one observer remarks: "Relations between Southeast Asia and the United States are perhaps best described as 'a policy without a strategy" (Banloi 2003).

Asian leaders are organizing and building new regional institutions precisely to avoid the sort of power politics that America is practicing. Progress has been tenuous but real, and most regional leaders are cautiously optimistic about Asia's future. As long as this remains true, American emphasis on balance-of-power politics will continue to meet with only limited success. Indeed, this approach is likely to be undermined by regional players, who are more interested in participating in economic integration and building regional communities than in divisive balancing behaviour. Most troubling for the United States, it will also cede its leadership role in Asia and limit Washington's ability to influence the future shape of regional institutions in the region (Heginbotham and Twomey 2005: 243-244).

China's ultimate strategic purpose remains a subject of debate and speculation among analysts. Southeast Asia, in this respect, is the sole region adjacent to China in which Chinese influence can most easily expand. A benign interpretation would see China as simply cultivating the sort of stable, peaceful, and prosperous regional environment that is required for its own successful modernization. A more sceptical view sees China playing a long-term game designed to curtail American influence and weave a close-knit economic and security community with China at the centre (Dalpino and Steinberg: 2003: 15).

Beijing is in fact using nationalism and the 'glories of the Chinese civilisation' to instil a sense of unity among Chinese nationals domestically and among the Chinese Diaspora in Southeast Asia. Although Beijing may acknowledge that rampant nationalism could pose a danger to its own internal stability, it has astutely harnessed it to build a new Asian pride and identity, which it hopes could help establish a new Asian system of politics, economics, security and culture within the 'ASEAN+3' framework. The PRC ardently hopes this could be transformed ultimately into an East Asian Community under its leadership (Teo 2005). To realize its peaceful rise, China is using a sophisticated blend of trade, confidence building measures, and development assistance to establish itself as an important regional-cum-global leader.

Of course the appeal of Confucianism offers Beijing a definite comparative advantage in its soft power approach. Moreover, the relationship China enjoys with the Chinese Diaspora in the region, who dominate the economic and, in some countries like Thailand, increasingly the political scene, is another advantage. The immediate implications of such an approach are that it

would be naive to believe that China is not interested in exerting a dominant influence over its regional hinterland; commercial and financial muscle will eventually be the levers of choice, perhaps spearheaded by a strong regional currency. As much as the Chinese may be more ethnically exclusive than Americans and some Europeans, they are every bit as eager to see Chinese culture and traditions adopted by others - as a mark of civilization. As more and more Chinese tourists visit the region and even begin to dominate the tourist trade, the service sector response will be to tailor to Chinese taste and custom. This will inevitably result in a revival of Chinese culture and language in local communities once believed to have assimilated. Already one of the fastest growing Chinese language media groups is based in Malaysia, where Chinese language education has an unbroken history of more than a century. Up to the present, businesses have catered to a culture that projects modernity and sophistication in a Western guise - this could change and have an impact on U.S. and European influence (Vatikiotis 2003: 75).

The use of culture as a tool of diplomacy highlights the sense of theatre that China skilfully deploys to exaggerate kin, ethnicity and national bonds between the Motherland and the Diaspora. It also

reflects an increased appreciation by the Chinese government of the importance of norms and soft power in diplomacy. Chinese print media, television, music, food, and popular culture are spreading around the region as never before. So, too, are Chinese tourists fanning out across the region, often filling the void left by American tourists staying home after 9/11, the Bali bombing, and tsunami; 800,000 Chinese toured both Thailand and Singapore in 2004 (Shambaugh 2005).

In this way it is safe to say that ethnic Chinese business communities scattered in Southeast Asia have facilitated 'the rearticulation of mainland China into the global economy' not least through their reciprocal involvement in more than 100,000 joint ventures in China (Yeung 2000: 267; 271). It is also arguable that the Chinese Diaspora has been used not 'just as a financial resource in China to fund revolutions in the past and economic reforms in the present; they have been an important symbolic resource in the construction of Chinese nationalism' (Callahan 2003: 483).

The combination of geo-political and geo-economic strategies and cultural expansion begs an answer to the question: 'what are the impli-

cations of China's policy of soft power for US influence in the region'? Elizabeth Economy notes the important point that, China's rise to date appears to be less about the 'inevitable conflict of rising power' theory, popular in some circles, than about creeping power transition. Chinese thinkers, themselves, have recognized that the international community is concerned by the potential implications of China's rise and have taken pains to ensure that it will be perceived as non-threatening. This is well illustrated by Li Junru, Vice-President of the Central Party School at the Chinese Communist Party (CCP), who explicitly outlined the benefits to China's neighbours, stating, 'China's rise will not damage the interests of other Asian countries. That is because as China rises, it provides a huge market for its neighbours. At the same time, the achievements of China's development will allow it to support the progress of others in the region' (2005: 3-4).

In order to comprehend the motives and objectives of Chinese pragmatism, it is important to put both bilateral and multilateral diplomatic initiatives and foreign policy into the overall trade and security context and understand the internal and external constraints for a Chinese expansive strategy in Southeast Asia. The region as a whole maintains a trade surplus with China of US\$8 billion annually, largely from its enormous exports of raw materials and precision machinery. China also agreed to an 'Early Harvest Package' that is perceived by ASEAN as 'largely a concession' to provide benefits through tariff reductions on 573 products including agricultural and manufactured goods. Individual Chinese entrepreneurs are also now expanding China's economic reach throughout Laos and Myanmar. In some areas, locals now use only the Yuan and speak Chinese (Economy: 2005: 4). The forays of Chinese companies fit in with a broader strategic push by Beijing to establish closer economic cooperation with and among Asian countries. Unofficial reports by ASEAN officials claim that the foreign policy aim is part of a broader thrust by China to deploy multilateralism against what it sees as US unilateralist hegemony in the region and the world. 'This is a long-term game that China is playing,' says a senior ASEAN official. They want a situation in Southeast Asia that automatically takes into account China's interests. The whole objective of the policy is to avoid strategic encirclement by the U.S.' (Vatikiotis and Hiebert 2003).

Critical voices note that ASEAN's trade with Japan of \$136 billion and that of the United States of more than \$136 billion in 2004 exceeds trade with China. At the same time, in both Indonesia and Malaysia, people complain that jobs are being lost to China. Not least because Chinese

textile exports since January 2005 have increased, thus implying downward competition for Cambodia and Vietnam. A growing mainland Chinese economic presence could also fuel latent resentment against the sizable ethnic Chinese economic elites in the region (Economy 2005: 5). In fact, almost no research has so far been done to investigate the impact of China's FDI on labour markets, environment and social issues and the question is whether China is exporting its own poor labour practices (Frost 2004).

Factors inhibiting Chinese private investment and tourism are sensitive to the treatment of Chinese minorities in Southeast Asia and in particular in the Philippines and Indonesia. The Indonesian racial riots in the aftermath of the financial crisis in 1998 which targeted ethnic Chinese created long-term damage to the 'bamboo network' (Low 2003: 73). There are also cultural impediments when it comes to expansion as noted by a senior ASEAN official: 'Unlike Americans, Chinese don't embrace foreigners - you cannot 'become Chinese' (Vatikiotis 2003: 75).

China's approach has been subtle, using soft power and economic diplomacy to build a benign multilateral framework in the shape of a free-trade agreement with ASEAN. 'China has shown a great deal of sensitivity,' says Singapore Prime Minister Goh Chok Tong. 'China realizes that it is a huge elephant, and even if it treads softly, it can still shake the ground.' One observer notes that 'China is seen by some to be slowly filling the vacuum left behind by the United States in the political, economic and security spheres in the region. This implies that 'U.S. Influence in Asia under Bush is Waning' (Agence France Presse, August 29, 2004.) and being replaced by China.

Beijing has also stimulated the dynamics of regional cooperation in many other ways. One example is China's enthusiasm for developing the ASEAN-China dialogue into a vibrant web of multilevel and multisector cooperation. As noted above, the 1997 financial crisis was the main catalyst for the creation of a full-fledged diplomatic mechanism spanning summit, ministerial, and senior official levels. As Cheng-Chwee notes, the mechanism has stretched into various semi-state and civil society organizations that include research departments, media outlets, youth organizations, and the business sector. Also cooperation in agriculture, transport infrastructure, as well as energy has been included. Over time, these ties have interwoven into a web of interdependence between China and ASEAN. The PRC has also taken the initiative in pushing for the creation of the Network of East Asia Think-Tanks (NEAT) (2005: 115). These moves are not merely tactical but part of PRCs overall goal to uti-

lize the ASEAN-plus-three as the main vehicle of East Asian cooperation and the creation of the hybrid East Asian Community. Although there are other factors at play, China has played a decisive role in pushing in that direction. 'China's enthusiasm for East Asian cooperation is clearly driven by its aspiration to shape the direction of the existing regional institutions' (2005: 115-116).

Diplomatically, China's goals and vision in Southeast Asia are clear as it rivals the US and Japan world-wide and regionally. Moreover it may be again considering ASEAN as its own Monroe sphere, as it was during the 400 years of the Chinese tributary system under the Ming-Qing Emperors. Southeast Asian countries appear to be accepting subordination as they seek to profit from the rising China.

Conclusion

This paper has provided a detailed desk-study based on empirical evidence showing that China has a strategic interest in Southeast Asia. Beijing has engaged the region at all levels, bilaterally and multilaterally with individual states, and been at the forefront in the establishment of new regional institutions.

China has legitimate interests, both geo-economic and geo-strategic, not only in Southeast Asia, but also in East Asia in general. The Chinese leadership has shown a benevolent attitude in its dealing with regional organizations and the contrast between American power politics and Chinese soft power bilateral and multilateral engagement has helped shift world and regional perceptions of both the United States and China. It is interesting to note that a new Asian assertiveness has been brought to the fore, not least helped by active Chinese involvement.

Now that China's power has gradually grown, it has become imperative for Beijing to get up to cultivate good ties to Southeast Asia. The most important side-effect of China's growth is the attendant siphoning of critical FDI away from Southeast Asia. Under such conditions Beijing has to ensure that members of ASEAN remain closely bonded to China, not other stronger and richer powers. This is a sufficient reason for Beijing to support mainland Chinese outward investment into the region and even relocation of production platforms and industries. China's manufacturing prowess is also displacing that of Southeast Asia, indeed, even Japan. This is another reason why Beijing is actively supporting and cultivating increased volumes of trade and providing much needed ODA to poorer Southeast Asian states. Given such figures, coupled with the possibility that China might dominate the entire mass

manufacturing spectrum, hence leaving little room for Southeast Asia to innovate, it is little wonder that China is trying its best to ensure good ties with Southeast Asia. The forward looking and inclusive character of China's foreign policy is underlined through Beijing's active and repeated assurance that the relevance of the project is less important for China's own interest as it is for 'the sake of the creation of a region structure' (Dieter 2000: 22; Schmidt 2006a).

Beijing's relation to Asia is also a function of the American geo-economic and geo-strategic current hegemony in world affairs. Having observed the relative facility of US military operations conducted in the Persian Gulf and especially in the Balkans and Iraq, it can be observed that neither prospective adversaries nor international organizations pose much of a constraint on Washington and Pentagon's behaviour. By cultivating ties with ASEAN, China can potentially put a check on US influence and accessibility to Southeast Asia.

In a more systematic manner this contribution has shown that bilateral geo-strategic ties at the formal level have deepened in terms of substantial increases in development aid, likewise the trade volume between China and individual Southeast Asian countries will soon surpass trade with Japan, the NICs, the EU and the United States. The same can be said about Chinese FDI pouring into the region's economies. Indeed China is following in the footsteps of Japan and later NICs in pursuing a diplomacy and economic policy based on soft power and a Listian neomercantilist strategy. In reality, China's diplomatic offensive started in the wake of the financial crisis in 1997 and has since then been based on a sophisticated strategy enhancing China's security and defence needs and can best be conceptualized as an attempt to break the US encirclement of mainland China. This also explains its rather successful push to create new regional institutions and its outright strategy of establishing a new Asian identity. It is probably only a matter of time before the AMF - an alternative institution to the IMF - will be formally initiated. The East Asian Community is still in an embryonic stage, but also in this case it will most probably emerge as a real alternative regional institution to the EU, NAFTA and other types of regional organizations. The myriad of Free Trade areas, agreements and measures are, it seems part of a grand design to create a new East Asian entity.

Johannes Dragsbaek Schmidt is Associate Professor at Research Center on Development and International Relations, Aalborg University (jds@ihis.aau.dk)

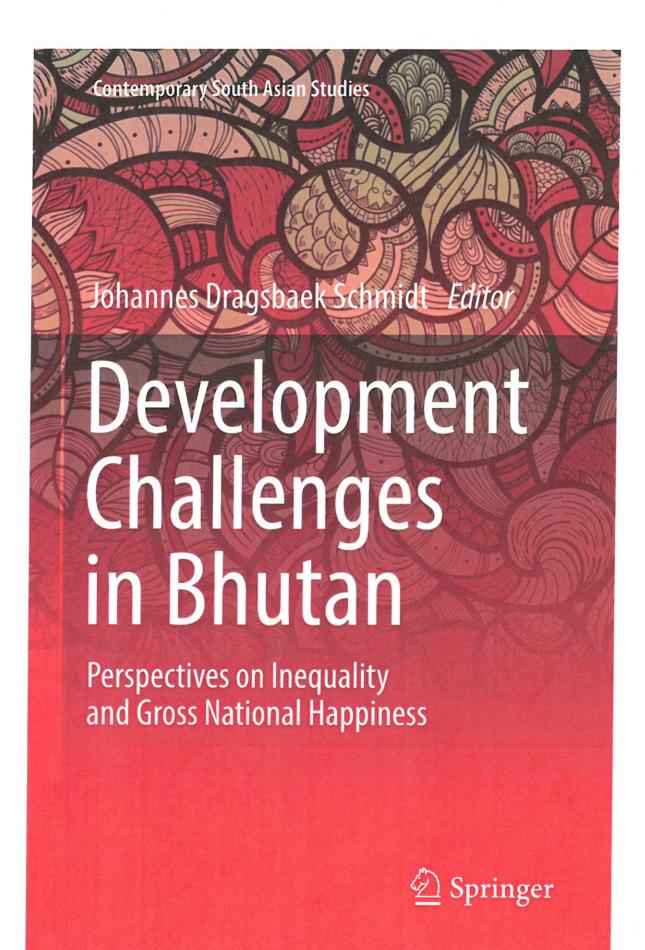
REFERENCES:

- Banlaoi, R. C. 2003. Southeast Asian Perspectives on the Rise of China: Regional Security after 9/11, Parameters, Summer
- Beng, P. K. 2002. 'Southeast Asia losing FDI fight to China'. *Asia Times*, 12 Nov. 2002 2003. 'ASEAN and China's regional concerns'. *Asia Times*, 21 Jan. 2003
- Breslin, S. 2002. IR, Area Studies and IPE: Rethinking the Study of China's International Relations, Centre for the Study of Globalisation and Regionalisation (CSGR), University of Warwick. Available from: http://www2.warwick.ac.uk/fac/soc/csgr/research/workingpapers/2002/wp9402.pdf/
- Brookings Institution 2005. China's Peacefull Rise: Speeches of Zheng Bijian 1997-2004. Available from: http://www.brookings.edu/fp/events/20050616bijianlunch.pdf
- Callahan, A. C. 2003. 'Beyond Cosmopolitanism and Nationalism: Diasporic Chinese and Neo-Nationalism in China and Thailand'. *International Organization* 57(3) Summer
- Cheng-Chwee, K. 2005. 'Multilateralism in China's ASEAN Policy: Its Evolution, Characteristics, and Aspiration'. *Contemporary Southeast Asia* 27(1).
- Cox, R. 1990. Power, Production and World Order. New York: Columbia University Press Dalpino, C. and D. Steinberg 2003. Georgetown Southeast Asia Survey, 2003-2004, Washington: Georgetown University
- Economy, E. 2005. 'China's Rise in Southeast Asia: Implications for Japan and the United States'. Japan Focus, October 6, 2005. http://japanfocus.org/article.asp?id'414
- Dieter, H. & R. Higgott 2003. 'Exploring alternative theories of economic regionalism: from trade to finance in Asian co-operation?'. *Review of International Political Economy* 10(3) August.
- Dieter, H. 2000. 'Monetary Regionalism: Regional Integration without Financial Crises' Available from: http://www2.warwick.ac.uk/fac/soc/csgr/research/keytopic/global/monreg.pdf/
- Evans, P.B. & J. D. Stephens 1988a. 'Development and the World Economy'. In N.J. Smelser (ed.). *Handbook of Sociology*. Newbury Park, CA: SAGE Publications, Inc.
- Evans, Peter, & J. D. Stephens 1988b. 'Studying Development since the Sixties: The Emergence of a New Comparative Political Economy'. *Theory and Society* 17(5) September
- Foot, R. 2006. 'Chinese Strategies in a US-hegemonic global order: accommodating and hedging'. *International Affairs* 82(1).
- Frost, S. 2004. 'Chinese outward direct investment in Southeast Asia: how big are the flows and what does it mean for the region?' *The Pacific Review* 17(3).
- Glyn, A. 2005. 'Imbalances of the Global Economy'. New Left Review 34, July-August Hart-Landsberg, M. and P. Burkett 2004. 'Contradictions of China's Transformation'. Monthly Review 56(3).
- Heginbotham, E. And C. P. Twomey 2005. 'America's Bismarckian Asia Policy'. *Current History* 104(683)September.
- Hersh, J. 1998. 'The impact of US strategy: making Southeast Asia safe for Capitalism'. In J. D. Schmidt, J. Hersh and N. Fold (eds.) *Social Change in Southeast Asia*. London: Longman.
- Holst, D. R. and J. Weiss 2005. 'People's Republic of China and its Neighbours: evidence on regional trade and investment effects'. *Asian-Pacific Economic Literature* 19(2) November
- Katzenstein, P. J. and N. Okawara 2001/02. 'Japan, Asian-Pacific Security, and the Case for Analytical Eclecticism'. *International Security*, 26(3).
- Kristof, N. D. and S. Wudunn 1994. China Wakes: The Struggle for the Soul of a Rising Power. London: Nicholas Brealing Publ.

- Landau, S. 2005. 'China, Venezuela and the USA Trouble Brewing'. *Progresso Weekly*, 26 May to 01, June Edition
- Low, L. 2003. 'Multilateralism, Regionalism, Bilateral and Crossregional Free Trade Arrangements: All Paved with Good Intentions for ASEAN?'. *Asian Economic Journal* 17(1).
- Masaki, H. 2005. 'China, Japan tug-of-war over Indochina'. Asia Times, 5 Oct. 2005
- Marquardt, E. 2003. 'China's Distant Threat to U.S. Dominance in Asia'. 08 September A report from PINR Power and Interest News Report. Available from: http://www.pinr.com/report.php?ac=view_report&report_id=87&language_id=1
- Montlake, S. 2006. 'In Asia, English is useful but Mandarin is rising'. *The Christian Science Monitor*, 12 Jan.
- Newsweek 2006. Stephen Roach. Global Investor The Hollowing Ring of Davos, February 6
- Ott, M. 2004. YaleGlobal Online 'The Great Reverse Part II Both Southeast Asia and the US have to adjust to China's rising star'. Available from: http://yaleglobal.yale.edu/display.article?id'4473 [accessed 6 Sep. 06]
- Nye, J. S. Jr. 2003. 'U.S. Power and Strategy After Iraq'. Foreign Policy, 82(July/August)
- 2004a. Soft Power: The Means to Success in World Politics. Cambridge, MA: Perseus Books Group.
- 2004b. 'The Decline of America's Soft Power'. Foreign Policy, 83(3), Council on Foreign Relation, Washington DC
- (2006) 'Assessing China's power'. The Boston Globe, Number 4, Council on Foreign Relation, Washington DC
- Schmidt, J. D. 2006a. 'Regional Social Compacts in Global Perspective'. Paper presented at the UNESCO/MOST International Forum on the Social Sciences Policy Nexus (IFSP) in Buenos Aires, Argentina and Montevideo, Uruguay 20-24 Feb 2006
- 2006b. 'Flexicurity, Casualisation and Informalisation of Global Labour Markets'. In
 B. N. Ghosh, (Ed.) Globalization and Conflicts. London: Macmillan,
- Shambaugh, D. 2005. YaleGlobal Online. 'Rising Dragon and the American Eagle Part I'. Available from: http://yaleglobal.yale.edu/display.article?id=5601 [Accessed 20 Apr 05]
- Sohn, I. 2005. 'Asian Financial Cooperation: The Problem of Legitimacy in Global Financial Governance'. *Global Governance* 11(4).
- Strange, S. 1994. States and Markets. London: Pinter.
- 1996. The Retreat of the State. Cambridge: Cambridge University Press.
- Teo, E. 2005. 'Asian nations hitch their wagons to the Chinese star'. Available from: http://www.onlineopinion.com.au/view.asp?article'3521
- Thayer, C. A. 2004. 'Southeast Asia's Marred Miracle'. Current History, April
- Tongzon, J. L. 2005. 'ASEAN-China Free Trade Area: A Bane or Boon for ASEAN Countries?'. *The World Economy* 28(2).
- Twining, D. 2005. 'China's Rise Threatens to Divide Asia, Not Unite It'. *Financial Times*, 22 Aug. 05.
- UNCTAD 2002. World Investment Report 2002, Transnational Corporations and Export Competitiveness, Geneva: UNCTAD
- UNCTAD 2005. World Investment Report 2005, Transnational Corporations and the Internationalization of R&D, China, Geneva: UNCTAD. Available from: http://www.unctad.org/Templates/Page.asp?intItemID'3198&lang'1
- Vatikiotis, M. and M. Hiebert 2003. 'How China Is Building An Empire'. Far Eastern Economic Review, 20 Nov.
- Vatikiotis M. 2003. 'Catching the dragon's tail: China and Southeast Asia in the 21st Century'. *Contemporary Southeast Asia* 25(1).

- 2004. 'China's Growing Clout Alarms Smaller Neighbours'. Wall Street Journal (Eastern edition). New York, N.Y.: 16 June
- 2004a. 'Outward Bound'. Far Eastern Economic Review 167(5).
- 2004b. 'Chinese Companies Go Global; Red Tape, Protectionism -- Even Costs -- Have More Investing Abroad'. Wall Street Journal (Eastern edition). New York, N.Y.: 30 Jan.
- 2006. 'China, India and the Land Between'. Asia Times, 4 March.
- Vaughn B. 2005. 'China-Southeast Asia Relations: Trends, Issues, and Implications for the United States'. CRS Report for Congress - Updated February 8. Available from: http://www.fas.org/sgp/crs/row/RL32688.pdf
- Wong J. and S. Chan 2003. 'China's Outward Direct Investment: Expanding Worldwide'. China: An International Journal 1(2) September.
- Yeung, Henry Wai-ching 2000. Economic Globalization, Crisis and the Emergence of Chinese Business Communities in Southeast Asia'. *International Sociology* 15(2) June.

Section V Global, Regional and National Crises – Searching for Alternatives



Development Challenges in Bhutan: Perspectives on Inequality and Gross National Happiness

Johannes Dragsbaek Schmidt

The greatest thing that the Buddha has done is to tell the world that the world cannot be reformed except by the reformation of the mind of man, and the mind of the world.

(Ambedkar 1956 cf. Lokamitra 2004: 472)

1 Introducing the Issues

In the last decade, the tiny Himalayan Kingdom of Bhutan or Druk Yul—Land of the Thunder Dragon has received worldwide attention. With a population of 740,000, landlocked and nestled in between the two giants, India and China, the country has both topographical, geographical, and infrastructural challenges and beautiful scenery. Despite its low resource base, more than 67 % of the workforce depending on agriculture, and being one of the world's smallest economies, Bhutan has achieved average growth rates of almost 8 % per year since 1996. Overall economic expansion based on exchange earnings from tourism and profits from exports of hydropower electricity generation reveals a fairly positive future scenario. The same optimism emerges from official figures of social and human development such as life expectancy that has risen by over 20 years in less than two decades.

The relative success has been explained by at least three salient features: Gross National Happiness (GNH or gyel yong gakid pelzom) which has replaced GNP as a measurement of well-being of the individual and the nation. This development philosophy has received international appraisal, and in June 2012, the United Nation's General Assembly voted unanimously in favor of a UN-declared International Day of Happiness as a way to celebrate, generalize, and universalize the objectives and values behind the promotion of happiness and well-being of all

Department of Political Science, Aalborg University, Aalborg, Denmark e-mail: jds@dps.aau.dk

J.D. Schmidt (S)

J.D. Schmidt

citizens in a secure and peaceful environment. Another explanation refers to the peaceful transition from absolutist monarchy to democracy exposing the country to international spotlight as a potential role model of peace and harmony in contrast to some of its neighboring countries in South Asia, not least Nepal, where a similar transition has been chaotic, violent, and still contains features of autocratic governance. The third reason is related to Bhutan's social system. By having a quite effective free delivery of public social services, not least education and health universally accessible to the whole population, it has become one of the most successful nations in the region in terms of social achievements and an example for others to follow.

A more intimate look into Bhutan's recent political-economic and political-cultural evolution discloses a more nuanced and contradictory picture. GNH, democracy, and the universal delivery of social services have its flaws.

In recent historical perspective, the government's attempt to create a national identity based on homogeneity and a uniform political-cultural matrix denoting and promoting one dominant ideology may be related to the expulsion and marginalization of "the other." Ethnic nationalism has been the denominator, and "collective exclusiveness" (Smith 1971, 1994: 190) created the space for establishing a discourse relying on ethnic purity and the pretention of cultural affinity or "shared amnesia" (Gellner 1987: 6) of nonexistence of minorities in general and more specifically of the Nepali Bhutanese ethnic entity (Hutt 1996: 399-400, 2003). It is interesting to note the sequence: First step was the denial of Bhutanese citizenship and the subsequent exodus of more than 100,000 Nepali Bhutanese (Lhotshampas in Dzongkha meaning Southerners). This laid the foundation for the creation of an "ethnic clean sheet" or in other words Buddhist hegemony and the royally sanctioned imposition of "one nation, one people" as the overarching ideology of the country. The "one nation, one people" strategy is well described in the government's vision 2020: "The emergence of Bhutan as a nation state has been dependent upon the articulation of a distinct Bhutanese identity, founded upon our Buddhist beliefs and values, and the promotion of a common language. These have been defining elements in our history and they have made it possible to unify the country and to achieve national homogeneity and cohesion among various linguistic and ethnic groups. This identity, manifest in the concept 'one nation, one people', has engendered in us the will to survive as a nation state as well as the strength to defend it in the face of treats and dangers. It is a unity that binds us all together and enables us to share a common sense of destiny" (Planning Commission 1999b: 18). There are various disputes about the number of people who left, and also about the questions, who left voluntarily and who fled the country, but it remains a fact that many Nepalese Bhutanese have resettled in the United States and European countries after having spent years in refugee camps in Nepal's Terai

¹However, all newly emerging states share the same point of departure where nation-building "is *the* basic Third World ideology and project…" (Smith 1986: 231).

districts (HRW 2007; Frelick 2011).² Second step was the introduction of GNH by the throne as the overall encompassing ideology based on what Johns and Ormerod (2007: 70) denotes as "at least one country in the world has decided that cultural homogeneity is a vital part of its citizen's happiness." Third step was the gradual introduction of "guided democracy" under the fifth King Jigme Khesar Namgyel Wangchuck. Although the backbone of the emerging constitutional democratic monarchy formally rests on a multiparty system and separation of powers and check and balances, it is probably more accurate to see it as "democracy by decree" (Turner et al. 2011) or "a gift from above" (Bothe 2012). But the democratization process has so far not let to a situation where the multiethnic composition of Bhutanese society and GNH can be questioned or debated in public. This "silence" and "invisibility" of opposition or competing views is a major characteristic of present-day politics in Bhutan.

In this way, GNH becomes an ideological instrument utilized by political authorities, i.e., those in power, ⁴ to install one, and only one, development trajectory of the country leaving virtually no space for opposition, competing discourses or alternative visions for directions of Bhutan's future. This is of course a contradiction in itself and can also be interpreted as an antagonism of democracy and pluralism and attempts to organize interest-based alternatives by societal agents and institutions (for instance, other ethnic groups, the private sector, or civil society).

Another inherent paradox is the contrast between the promises of GNH that it upholds strong principles of equality of all human beings by promoting welfare for the disadvantaged and poor and on the other hand the government provision of free education and health to the population. In theory, it would inevitably enhance equity and equality in the country, but the evidence shows the opposite that income inequality and spatial uneven development especially in rural areas gradually increase at a quite dramatic rate. If this trend continues, it may undermine the goals and objectives of GNH as a guiding principle for nation-building and the transition toward democracy and may indeed threaten the Thimphu-based Drukpa elite's grab over the future direction of the country. GNH has become a vehicle for the transformation of the country away from autocracy toward a hybrid democratic system, but it remains "monarchical guided" (Wolf 2013) or a "constrained democracy" (Shneiderman and Turin 2012) where the King has informal decision-making power of last resort in most important decisions related to defense, foreign policy,

²It is also important to acknowledge that the government and the King in connection with the first national population census in 1988 was frightened by the number and then decided to "securitize" the problem as "illegal immigration" and "a serious threat to the Drukpa culture" (Basu 1996: 96).

³Although the government does recognize the existence of three separate ethnic groups: the Ngalong, the Lhotshampa, and the Sharchop, officially there is only one national language Dzongkha (meaning "language of the palace/Dzong"), besides English, which is the language of administration and medium of instruction in the education system (also Wolf 2013: 8). However, up to 15 other languages are spoken in the country, and English has become the de facto medium for cultural and linguistic assimilation.

⁴The elite and the King belong to the Ngalong ethnic community, who speak Dzongkha.

4 J.D. Schmidt

the safeguard of GNH, and not least appointment and nomination of government officials.

Although poverty has been halved and several millennium goals have been achieved, there still is some dispute about the actual levels of poverty reduction, and levels of inequality are very worrying (Bhutan News Services, May 8, 2013). The official figures show that approximately 30 % of the rural population remains poor, while urban poverty is about 1.5 %, while ADB figures (2013: 2) reveal a general poverty incidence of 11.5 % in 2012, and there is a widening gap between the top 10 % and bottom 10 % brackets in Gini income index (Dhakal 2013: 3).

These issues are closely related to the nation-building strategies pursued over the past decades, the developmental and ideological role of the "organic state," and the way education and schooling have been used as overall instruments to enhance nationalism and national identity. As will become clear, this mixture may run into problems because of the GNH philosophy's implicit emphasis on an anti-developmental ethos (the Middle Path) or what may be termed a "development dilemma" ensuring culture, environment, and history more than economic progress. In general, "given the developmental nature of contemporary nation-building strategies, i.e. dual goal of creating nations and of ensuring self-sufficient growth, which are so heavily intertwined, any failure in performance for one goal is bound to diminish the chances in the other" (Smith 1986: 243).

2 Understanding Nation-Building in Bhutan

In order to explain the most important policy changes in Bhutan in recent historical perspective, it is not unreasonable to claim that they were externally invoked and not homegrown or conditioned by domestic affairs. Government-sanctioned historiography in Bhutan⁵ in many cases presents these policy changes as deliberate individual decision-making and choices made by various benevolent Kings and advisors, but other research reveals that they were forced by what may be called geopolitical dilemmas and aggression including war, occupation, and annexation in Tibet and Sikkim, threats to Buddhism, and the neutralization of monarchies in the immediate neighborhood (Basu 1996; Gulati 2003). These external events extended pressure on the monarchy and elite to open the country, introduce economic reforms, and gradually introduce a political reform process including citizenship rights to some and none to others, and finally this way make an end to the "ethnic question" or what the government in some cases in "securitized" terms referred to as the Southern illegal immigration problem and on other occasions "unnatural population increase" (UPR 2009: 14; Evans 2010: 29). This also meant an end to a

⁵The most important exponent of what may be called "government blueprint" research is to a certain degree produced by Centre for Bhutan Studies (see, e.g., Ura and Galay 2004; Ura 2013). An exception to this type of representation is bluntly explained in the key document Bhutan 2020 (Planning Commission 1999b; 8).

vibrant civil society and political opposition not only among the Bhutanese Nepalese but also other ethnic groups like the Sharchop. The Bhutanese Nepalese were perceived by Thimphu as having created havoc, anarchy, and "terror," and this reinforced the Drukpa elite's fear of civil war in Bhutan and the Himalayan region. Neighboring Tibet, Sikkim, and especially Nepal were perceived as worst-case scenarios where Buddhism, the monarchy and feudal elite's power grab, had been destroyed and occupation and civil war had led to instability.

When this is said, the influential Bhutanese scholar Karma Ura notes that "it has become somewhat customary to assess issues [in Bhutan, JDS] from the point of view of security because of the heightened and staunch sense of security in the country" (2001: 113), and he proposes polemically that "this habit has had a constructive impact" (ibid). Already in 1993, the then Minister of Home Affairs Jigme Thinley (who later on became the country's first elected prime minister) noted that "The rich and splendorous culture of the Great Wheel of Buddhism, which once flourished in Sikkim, Tibet, Ladakh, Lahau, and Spiti, is well on the path of extinction. Today, Bhutan the last bastion of this rich culture, is in a state of siege," and he added "that the Drukpas were faced with a real threat to their survival" (Hazarika 2011: 311). Due to Bhutan's strategic location, it seems that geopolitics and security-related issues have had a determining influence on key decisions over the last century or more. Gulati (2003: 223) refers to a speech by King Jigme Singye Wangchuck at the fifth SAARC Summit in Maldives in 1990 where he said: "Terrorism has become one of the growing threats to peace and stability in our region. Even in Bhutan, the spectre of terrorism has intruded on peace and tranquility that has remained undisturbed."

Opening up a previously isolated country and economy⁶ and introducing rather rapid political and social changes within a few decades was only possible due to the establishment and accomplishments of what looks like an "organic state" in conjunction with a specific understanding of ethno-nationalism. The way the "organic state" is defined relies on a romanticized and spiritual conceptualization of territory and the people. It puts the "collective over the individual" in a sense very much resembling the way GNH functions in Bhutanese society. A nebulous or paternalist notion of "nation-building" takes on a hegemonic position over individual citizens with specific characteristics that create an identity and a vocabulary which makes it distinguishable in comparison to other nations. This closely follows the design of the East Asian developmental state as Denman and Namgyel (2008: 488) note that in Bhutan "....the state, not economic institutions, is the principal shaper of social structures."

⁶The term "isolated" may be misleading and a convenient myth since there were trade relations with India and Tibet going back to the seventh century A.D. (Basu 1996: 14).

⁷Here "the organic state" is understood in its original version presented by Plato who "identifies the interests of the ideal state with the objective interests of the citizens" (Neu 1971: 238).

J.D. Schmidt

Dzongkha as national language, uniform customs (*Driglam Namzha*—the Way of Harmony), an imagined history, new institutions, descent, and Buddhism and was further exacerbated through the execution of exclusionary moves toward minorities' cultural and political institutions. The people draw on the historical and ancestral roots created by the domestic and dominant ethnic (minority) elite and government representing the "spirit" of the nation, and the roots hold the parts together, melding the individuals into a whole physical nation in which all the parts are interconnected.

The Bhutanese model is based on an ethnic-cultural matrix or to be more precise a Mahayana Buddhist state that "assumes primary responsibility for the creation of a society" (Thinley 1999: 17-18; Mancall 2004: 37). In this version, Drukpa nationalism was not dependent on the existence of a nation-state but instead depended on genealogical ties among the Ngalong elite, one vernacular culture based on two languages, customs based on perceived or invented roots of Drukpa culture, religion and arts, "a belief in the virtues of indigenous history and its special interpretation of the history of the nation and its place in the world," and a belief in "the people" and the need to mobilize them to create a national identity (Smith 2008: 17). This is further complemented by well-defined boundaries with a fixed center—the capital Thimphu—emerging in Bhutan. One legal and political system disseminated to society and increasingly accepted by consent of the masses. One mass popular culture and national identity disseminated by means of a public, standardized education system embedded in GNH as the psychological, mental, and charismatic political and cultural matrix. The only exception and question is whether Bhutan has the ability to defend itself (and be recognized by other nations as being able to do this) and participate in the international community (Smith 2008: 13). The latter is complicated by Bhutan's dependency on India's hegemonic status in the country's domestic as well as external affairs and India's financial and moral support to sustain the model and implicitly accept the ability of the elite to pursue an alternative on the fringe of its northeastern frontiers.

3 Situating Education as Main Driver for Nationalism and GNH

A useful way to understand education as the key device for obtaining nationalist objectives is to differentiate between "primary" and "secondary" nationalism where the first refers to original nationalism and is concerned with creating national identity where the latter is meant to preserve and enhance national identity in an already established nation. Primary nationalism normally attaches enormous importance to formal education conducted and controlled by the state. The school and education itself is the most powerful agent for injecting national spirit, "and the state inculcates national values through formal education. Primary cultural

⁸The third King decided already in 1971 that Dzongkha should become the nation's language, but its use was reinforced by the government during the uprising by the Bhutanese Nepalese in the South.

nationalism usually occurs as part of nation-building which involves the process of absorbing individuals into the organic state, the politicized aspect of the national spirit" (Van Horne 1997: 137). In this way, the education system has functioned as an assimilation mechanism by institutionalizing a state and Drukpa elite monopolized version of ethnicity, and at the same time, the construction of citizenship has been the major policy device for exclusion. The aim of education is among other things to instill awareness of the nation's unique cultural heritage and values, both traditional and universal (Planning Commission 1999a: 19). In discursive terms, this objective may be more explicitly defined as Bhutanese citizenship educational programs as an implicit vehicle for "cultural homogenization" (Bothe 2011: 533) or "Bhutanization" of school curricula which started in the 1980s and continued in subsequent decades. It was not only a consequence of the deliberations in Thimphu but came hand in hand with the "nationalization of Heads" with the result that Bhutanese became headmasters of all schools and a general Bhutanization of curriculum and extracurricular values and cultural activities took place (Namgyel 2011: 94).

The government and royal sanctioned GNH Commission have the power to approve or disapprove all education policies before "they are allowed or enacted" (Schuelka 2012: 149). This overall guidance and regulation through Bhutanization and GNH is mirrored in the fact that the dominant view of the elite contemplates Bhutan in an asymmetric situation "where massive external cultural influences could literally overwhelm local cultural values when the borders open wide under the onslaught of globalization—hence the need for a vigorous promotion of indigenous cultures as a context for making available true choice to individuals. We believe that a state which does not preserve its cultural richness is one where the choices and well-being of its citizens are diminished and greatly constrained" (Thinley 2005).

It is also interesting to note that besides the academic skills and functional objectives of the national curriculum for primary schools, there is almost unilateral focus on the injection of knowledge about mental and physical health, hygiene, and social studies, in particular, the geography and history of Bhutan and "a deep sense of respect and pride in being Bhutanese, and in being citizens who are loyal, dedicated, productive, contented, and happy with a high standard of morals and ethics" (Chhoeda 2007: 60). These policies emerged after the closing down of Nepalese Bhutanese schools in the end of the 1980s leading to more than 30,000 children deprived of education. It also spelled the end of teaching in Nepalese and the end of Nepalese curriculums in the Bhutanese education system.

The most difficult issue in Bhutan was and is till today how to deal with the contradictions between state-sanctioned hegemony in education and the reality of a

⁹Bhutanization of education came at the same time as the expulsion of the 104,000 Bhutanese Nepalese in the South and was a follow-up on new citizenship laws, a nationwide census and the enactment of the *Driglam Namzha* as a cultural policy aimed at homogenization of traditionalism with one national uniform dress code and one uniform national architectural design, and public codes of social conduct.

8 J.D. Schmidt

"multiethnic, multireligious, and multilingual" society (Mathou 2000: 245) and cultural preservation at the same time. The former Prime Minister Thinley has stated that Buddhism and education for happiness go hand in hand (Spring 2013: 201), but at the same time, it contradicts the requirements and effects of the structural or so-called modern British-inspired curriculum and Western skill-based teaching which still overshadow the relatively speaking small cultural doses coming with GNH formal and informal teaching and curriculum and extracurriculum activities. In this way, the objective of education becomes the assimilation of all cultures into one national culture and identity, a task with daunting challenges ahead but also probably the only way to create meaning, identification, and loyalty based on one *ethnie* (Smith 1986: 237, 243).

Seen from the government's point of view, education "is the glue that holds the whole enterprise together" (Thinley 2009: 14) with GNH and happiness understood not as "a fleeting, pleasurable 'feel good' but true abiding happiness cannot exist while others suffer, and comes only from serving others, living in harmony with nature, and realizing our innate wisdom and the true and brilliant nature of our own minds" (ibid). The teacher should be seen as a guru, not just a facilitator: "On the contrary, a teacher who truly embodies GNH principles and values is also an authentic and natural authority figure, to whom respect and even reverence are due" (op cit. 17). By attempting to install such virtues, the idea to promote honor, valor, loyalty, allegiance, and devotion should be encouraged and be part and parcel of the educating for GNH values and principles. In one way or the other, the Bhutanese government attempts to assume the role of an "ethical state" (Basu 1996: 111) or an "organic state" implementing specific moral and cultural ideals to the people either by force as a control mechanism or preferably by consent.

In fact, one may argue that the original ethno-nationalist Bhutanization strategy gradually has been replaced with a cultural nationalist direction where education and the "GNH school" plays the main role in terms of creating a vertical organic process where women and men and girls and boys interact and influence each other within a specific social horizontal and localized setting. At the same time, education becomes the vehicle to effect the "transmission of the cultural heritage from one generation to the next, as the means of ensuring the historical consciousness of the people" (Herder cf. Wiborg 2000: 240). The Bhutanese government has changed both monastic and modern education in an evolutionary manner and implemented a unifying approach supported by "a 'nation-culture' identity that is uniquely preserved by its ruling class" (Denman and Namgyel 2008: 488), and nation-building has been rather successful if these are the criteria.

4 Development Challenges in Contemporary Bhutan

Bhutan's socioeconomic development was kick-started in the early 1960s. Since the "first five-year plan" in 1961, governments have given priority to education and health and emphasized free delivery in these areas, and in 2008 it became a constitutional right for the people when Bhutan became a democracy. This evolution has

arisen in tandem with the opening up of the country to outside influences, ideas, and institutions but always with the King stressing introvert strategies like "self-reliance" (Mancall 2004: 9), and according to the 2008 Constitution, the government must "secure ecologically balanced sustainable development while promoting justifiable economic and social development" (RGOB 2008). Although the combination of GNH and probably the best-preserved environment in the world are laudable, there are several hazards and challenges ahead. Among the most important are those related to the environment and climate change: "High demographic growth, unplanned urban migrations, increased population density in cities, rapid rise in imports of cars, and increasing demand for fuel wood, roads, building construction" (Poissonnier-Lescuras and Gemenne 2013: 7). The environment and climate related problems are obviously key issues for future generations and closely related to awareness campaigns and teaching in schools which links well with GNH ideology.

In the "tenth five-year plan" (2008–2013), the government has made clear that education and health are still major priorities for the government. According to the Planning Commission, the population of Bhutan has growing expectations to the delivery of better quality social services and also a clean environment and disaster-free lifestyle. The government recognizes that investment in education and health will have both immediate and long-term benefits for the country, and these efforts may furthermore lead the country into what Mathou (2000: 245) calls "a post-ethnic consciousness" by "modernizing the minds of the people." Education and poverty reduction remains the main objective of government policy and deemed vital for achieving Bhutan's socioeconomic goals but is also a mechanism to solve the inherent contradictions within the ethnie and polity.

Although efficient service delivery to the entire population is still a challenge due to the physiographical and geographical obstacles, there has been a gradual shift of focus toward more quality improvement and participatory inclusion not only in education but also in general due to the democratization process. The area of health has gone through a similar development, and introduction of ICT is seen as one way to overcome some of these obstacles.

There are still many constraints facing decision-makers and policy-makers. Government resources are restrained and dependent on Overseas Development Assistance (ODA) which needs to be allocated more efficiently and appropriately to increase quality and especially to link up with the promises of GNH related to equity and just and fair distribution. ODA is being phased out, and the government with Prime Minister Tshering Tobgay who took office in 2013 has realized that one of the main problems has been misuse of public resources in the name of GNH and even referred to the overemphasis on GNH as distracting awareness and money away from the real issues related to unemployment, poverty, corruption, and also a common sense among the general populace that politicians are too remote. He even denoted himself as a "happiness skeptic" (Hindustan Times, 2 August, 2013).

Key constraints hampering development can be identified within:

10 J.D. Schmidt

The inability of the government and donors to provide more adequate infrastructure

- A narrow fiscal base related to fluctuating income from electricity exports to India and heavy reliance on foreign donors willingness to keep up the provision of grants and loans
- A miniscule private sector and lack of credit support for small- and mediumscale enterprises
- Price interventions and government regulation hampering competition and diversification
- A relatively well-functioning primary education and health system but weak and unequal access to secondary and tertiary, including vocational, training facilities
- A fragile job situation (ADB 2013)

These constraints are furthermore linked to the challenges and expectations from a better educated and enlightened population toward state-sanctioned development goals which may or may not collide with the wishes of the so-called Google generation. Growing inequalities and uneven development may also hamper the execution of proper government policies, and together this has become a major burden and challenge for the new democratic political system in Bhutan.

One way to cope with these challenges and constraints is to provide better, more transparent, and efficient government services across all sectors. More efficient use of e-governance and information and communications technology (ICT) as a tool for development, education, and democratization has become an option for the government but is very expensive and may not necessarily add new jobs as it is also seen as a way to enhance productivity and efficiency.

5 Aim and Approach of the Book

The objective of this volume is to give an overall critical insight into historical and contemporary issues related to nation-building, GNH, and inequality understood not only as a material or socioeconomic term relating to income, assets, land, resources, health, and gender but also as a political-cultural construct relating to ethnicity, religion, participation, influence, and collective and individual rights. Inequality may be related to human capabilities (Sen 1992), durable inequality (Tilly 1998), existential inequality relating to recognition and redistribution (Honneth 1995) and respect (Sennett 2002), and intra-ethnic cultural stratification (Bourdieu 1984). ¹⁰

What is interesting in a sociological perspective is the focus on how education impacts mobility, access to the labor market, and class structure. Education as an institution may be overcome by symbolic violence as its mediating structures determine the allocation of status and power. Even if education is said to overcome

¹⁰See Therborn (2006).

inequality, it may cement it more into society. However, change through resistance is possible, and the right reforms may also change class and status differentiation caused by education. In addition, there are four mechanisms producing inequality: distantiation, hierarchization, exclusion, and exploitation—"they are all produced and sustained by distributive action, individual as well as collective, and by social systemic arrangements and processes" (Therborn 2006: 11).

Parts of this book consist of comparative perspectives of the interplay between the domestic and external policy environment as denominator for the ongoing creation of national identity including values and norms pertaining to the construction of Bhutan's development model. Other contributions explore how existing resources, ideas, and knowledge are formed within human and social development activities such as education, ICT policies, and practices and to a lesser degree health and investigate how they have been utilized to meet the short-term and long-term development challenges in Bhutan. It furthermore analyzes the visible and invisible synergies occurring in policy flows from center to local levels in the implementation of labor market regulation (migration), land distribution, the environment and disaster management and how these flows impact levels of equity as well. The objective is also to focus on democracy, law, legitimacy, and cultural factors such as the use of the "cultural etiquette" (Driglam Namzha) and royal social services providing "property rights to land" (Kidu) as a way to enhance legitimacy of the overall development model of the organic state.

The rationale of the book is to critically engage with challenges related to the implementation of GNH not only in relation to education but also democratization, unemployment, migration, legal aspects, environment, and climate prevention and relate to growing inequalities and uneven development. The book is divided into five sections each consisting of two chapters.

The first section relates to a comparison of Bhutan's development trajectories in historical and contemporary perspective with focus on political culture, the role of donors, ethno-nationalism, and education. In his contribution Chap. 1, Michael Hutt gives what he calls reflections from a distance. The paper presents the argument that the government has implemented a number of reforms and has been forced to sharpen questions of national identity, loyalty, and belonging. The paper dwells into issues related to monarchy and democratization, language, and religion and ends with a note about participation and exclusion. Professor Hutt ends his contribution with moderate optimism concerning the evolution of democracy in Bhutan. The second chapter by Johannes Dragsbaek Schmidt deals with the links between external donors and reforms. It asks why donors have treated the Bhutanese model with such enthusiasm and points to the geopolitical angle as part of the reason. It furthermore deals with the establishment of ethno-nationalism, Bhutanization, and GNH and argues that education is utilized to create a new GNH citizen however with varying success.

The second section deals with GNH, equality, and inclusion versus exclusion. It focuses on a variety of aspects such as the Kidu, ethnic inequality, and migration; Chap. 3 written by Winnie Bothe explores the links between GNH and inequality. The approach builds on Pierre Bourdieu's distinction between material and

12 J.D. Schmidt

symbolic violence and inequality. The paper traces the historical origins of inequality and GNH in Bhutan, then deals with material inequality, and finally moves into the realm of symbolic inequality. The paper concludes that GNH remains elusive for egalitarianism, and the focus of GNH on tradition and values may even promote new forms of inequalities. Chapter 4 Distress Migration and Individual Happiness by Mahmood Ansari deals with the political economy of demographic change, migration, and happiness. The author deals at length with the incomplete and unreliable data and statistics in the country and doubts the official claims about happiness of the population. The paper analyzes the missing civil society and independent critical voice in Bhutan who might have questioned claims from the government. The paper then discusses migration and individual and collective happiness and doubts the official figures because of the display of structural asymmetries and regional unevenness.

Section 3 is devoted to culture, legal issues, and politics of change. Mari Miyamoto is the author of Chap. 5 A Form of Democratization Project—Being Apolitical and Being Religious. The focus lies on institutional changes within monastery, monarchy, and parliament since 2007 and how these changes have influenced social and cultural structures. The paper starts with changes in parliament, moves to party politics, and situates the role for the king and the monarchy in the new era of democratic reforms. Then the perspective turns to religion in elections, the role of the election committee, and finally media and discursive space. The paper criticizes the restraints to maintain society apolitical and the fact that monasteries and Buddhist monks are deprived of their rights to vote, but still Bhutan may move into a different or alternative type of democracy. Chapter 6 by Richard Whitecross is titled Law, "Tradition" and Legitimacy: Contesting Driglam Namzha. This chapter focuses on law and legal institutions in the process of state-building and more specifically the code of discipline or conduct Driglam Namzha which is introduced in the beginning of the contribution. Then Professor Whitecross deals with state promotion of Driglam Namzha and how it has been politicized. The third part deals with the role of law and legal institutions in the process of cultural identity formation. Finally, the last section focuses on recent changes and argues that state promotion of the social etiquette has weakened recently and is in reality a contested domain open for public debate.

Section 4 is focusing on Governance and Integration. Chapter 7 by Norbert Wildermuth and Devi Bhakta Suberi is titled Between Hopeful Intentions and Disenchanting Constraints: Lessons Learned in Bhutan's Nationwide E-governance Initiative. The digitalization of the public sector in Bhutan is still in an infant stage and it is a challenge for the government to integrate ICT into governance as a supportive tool for democratization. This contribution is a critical assessment of e-governance and participation and a study of the Bhutanese ongoing conceptualization and implementation of the government-to-citizen (G2C) e-governance platform. The paper deals with two core research issues. Whether there is a role for inclusion with ICT as a tool for the majority of the rural population. Secondly, can it promote public service delivery and further the development goals of GNH? Illiteracy in rural areas in itself narrows the chances of digital inclusion and

peasant's communicative opportunities. It gives a low utilization of G2C services, and furthermore the anonymity of the communication with authorities contradicts the humble and what is regarded appropriate way. Therefore, it is expected that the village headman takes the lead which makes it a continuing challenge to provide sufficient services. Chapter 8 Disaster Governance, Inequality and Poverty Alleviation by Caroline Brassard highlights the links between disaster governance and coping strategies from the impact of climate change and argues for a more integrative and preventive policy-making based on a people-centered approach. Professor Brassard traces discourses about disaster governance and then analyzes disaster risk in a development perspective. The paper argues that there are immediate and long-term benefits associated with linking disaster preparedness and poverty alleviation, but due to the fact that the institutions are relatively recent, they therefore have difficulties in tackling inequities and inequalities in the country. The paper proposes for cooperative and people-centered empowerment to increase resilience at local levels but also as an integral part of the governance system.

Section 5 of the book focuses on health, food, and disparities. Chapter 9 by Mahmood Ansari is titled Regional Disparities and Food Problems. The paper traces the historical roots of regional disparities and food shortages in the eastern region and notes that these deprivations and contradictions can also be seen along ethnic lines. The east has been a historic victim or a periphery to the center. However, there are also other explanations related to the fact that the western region has had more arable and fertile land compared to the east both in terms of land, labor, livestock, and machinery. Although Bhutan has had what resembles a developmental and dirigiste state and planned economy, it has failed to address regional disparities, poverty, and food insecurity. It is foreign development aid which has been utilized in improving nutrition and livelihood and created a culture of what professor Ansari describes as a "parasitic aid syndrome." The author urges the government to address the asymmetries in the distribution of land, water, and food across households, villages, and regions. The last chapter Policy Synergies in Health-Promoting Education has been coauthored by Johannes Dragsbaek Schmidt and Line Kikkenborg Christensen. The paper analyzes how the intentions of social development activities within health promotion through education are in conflict with outcomes on the ground. It focuses on the discrepancies between policies of intention at central level and the implementation at local levels and synergies in policy flows. The paper concludes that there is a certain degree of realization and efficiency in terms of delivering physical health, preventing diseases, and providing mental capabilities not least by utilizing meditation and mindfulness. However, there are critical problems involved in advocacy work and "educating for GNH" and lack of training for teachers. Therefore, knowledge and skill training and upgrading are serious challenges for effective implementation.

The book applies a plurality of perspectives, but the majority of the contributions rely on a mixture of policy study, anthropology, political economy, and social studies. The book compiles a critical, eclectic, and interdisciplinary approach to add value to the understanding of Bhutan's development model. As mentioned above, there is a growing interest among scholars, media, and people in general about the

14 J.D. Schmidt

"GNH miracle" in Bhutan but little comprehensive scholarly literature covering the details. The literature which does exist is either scattered in articles in journals and all very recent—since Bhutan didn't open up to the outside world more than 10–15 years ago—or it consists of more or less government-approved books and other research with reference to official versions of what is happening. This may be gradually changing in the past few years, but still there is no real comprehensive book which tries to explain in a scholarly manner the details, background, and cases of Bhutan's development trajectory.

The contributions of this book reflect an attempt to fill this gap and try to fulfill the objective of providing insights into some of the crucial aspects related to Bhutan's recent development challenges. It scrutinizes and investigates the importance of understanding the epistemology and ontology of GNH, the genealogy of the country's development approach, unpacking and deconstructing ideational and politico-cultural aspects of knowledge production, and to give an overall assessment of the political economy and social and cultural aspects of various policy layers and practices involved and relate these aspects to equality, equity, and egalitarianism—all implicit and explicit promises of the GNH both understood as a philosophy, ideology, and real politics with ramifications for the societal rubric.

References

Asian Development Bank (ADB) (2013) Bhutan critical development constraints. Country Diagnostics Studies, Manila

Basu GK (1996) Bhutan. The political economy of development. South Asian, New Delhi Bhutan News Services (2013) The inequality gap, 8 May 2013. http://www.bhutannewsservice.com/feature/the-inequality-gap/

Bothe W (2011) Forming local citizens in Bhutan: the traditionalization of participation—empowerment, domination or subjugation? PhD Dissertation, Copenhagen University, Copenhagen

Bothe W (2012) The monarch's gift: critical notes on the constitutional process in Bhutan. Eur Bull Himal Res 40:27-58. http://himalaya.socanth.cam.ac.uk/collections/journals/ebhr/pdf/EBHR_40_02.pdf

Bourdieu P (1984) Distinction: social critique of the judgement and taste. Routledge & Kegan, London

Chhoeda T (2007) Schooling in Bhutan. In: Gupta A (ed) Going to school in South Asia. Greenwood Press, Westport, CT

Denman BD, Namgyel S (2008) Convergence of monastic and modern education in Bhutan? Int Rev Educ 54(3-4):475-491

Dhakal DNS (2013) Country report 2013 Bhutan, South Asia Alliance for Poverty Eradication (SAAPE), Kathmandu, Nepal

Evans R (2010) The perils of being borderland people: on the Lhotshampas of Bhutan. Contemp S Asia 18(1):25-42

Frelick B (2011) For Bhutan's refugees, there's no place like home. Global Post, 30 Mar 2011. http://www.globalpost.com/dispatch/news/opinion/110330/bhutan-refugees-nepal

Gellner E (1987) Nationalism and the two forms of cohesion in complex societies, culture, identity and politics. Cambridge University Press, Cambridge

Gulati MN (2003) Rediscovering Bhutan. Manas, New Delhi

Hazarika S (2011) Strangers of the mist. Tales of war and peace from India's Northeast. Penguin Books, New Delhi

Hindustan Times (2013) Bhutan's new prime minister is a 'happiness' sceptic, 2 August, New Delhi. http://www.hindustantimes.com/world-news/bhutan-s-new-prime-minister-is-a-happiness-sceptic/article1-1102277.aspx#sthash.xbLlGqTU.dpuf

Honneth A (1995) The struggle for recognition: the moral grammar of social conflicts. Polity Press, Cambridge

HRW (2007) Human rights watch: last hope. The need for durable solutions for Bhutanese refugees in Nepal and India, vol 19, no 7, Washington, DC

Hutt M (1996) Ethnic nationalism, refugees and Bhutan. J Refug Stud 9(4):397-420

Hutt M (2003) Unbecoming citizens. Culture, nationhood, and the flight of refugees from Bhutan. Oxford University Press, New Delhi

John H, Ormerod P (2007) Happiness, economics and public policy. The Institute of Economic Affairs, London

Lokamitra D (2004) The centrality of Buddhism and education in developing gross national happiness. In: Ura K, Galay K (eds) Gross national happiness and development (proceedings of the first international seminar on operationalization of gross national happiness). The Centre for Bhutan Studies, Thimphu

Mancall M (2004) Gross national happiness and development: an essay. In: Ura K, Galay K (eds) Gross national happiness and development (proceedings of the first international seminar on operationalization of gross national happiness). The Centre for Bhutan Studies, Thimphu

Mathou T (2000) The politics of Bhutan: change in continuity. J Bhutan Stud 2(2):250-262, Winter

Namgyel S (2011) Quality of education in Bhutan: historical and theoretical understanding matters. DSB, Thimphu

Neu J (1971) Plato's analogy of state and individual: "the republic" and the organic theory of the state. J Philos 46(177):238–254

Planning Commission, Royal Government of Bhutan (1999a) Bhutan 2020: a vision for peace, prosperity and happiness (part I). http://www.gnhc.gov.bt/wp-content/uploads/2011/05/Bhutan2020_1.pdf

Planning Commission, Royal Government of Bhutan (1999b) Bhutan 2020: a vision for peace, prosperity and happiness (part II). http://www.gnhc.gov.bt/wp-content/uploads/2011/05/Bhutan2020_2.pdf

Poissonnier-Lescuras, Maud and François Gemenne (2013) Bhutan. Case study in the framework of the project ClimMig: climate-related migration and the need for new normative and institutional frameworks. The Institute for Sustainable Development and International Relations, IDDRI, Paris. http://www.humanrights.at/climmig/wp-content/uploads/Bhutan-ClimMig.pdf

Royal Government of Bhutan (2008) The Constitution of the Kingdom of Bhutan. http://www.constitution.bt/TsaThrim%20Eng%20%28A5%29.pdf

Schuelka MJ (2012) Inclusive education in Bhutan: a small state with alternative priorities, current issues in comparative education. Teachers College, Columbia University. http://files.eric.ed.gov/fulltext/EJ1000220.pdf

Sen A (1992) Inequality reexamined. Harvard University Press, Cambridge, MA

Sennett R (2002) Respect in a world of inequality. Norton, New York

Shneiderman S, Turin M (2012) Nepal and Bhutan in 2011. Cautious Optimism. Asian Surv 52(1): 138–146

Smith AD (1971) Theories of nationalism. Duckworth, London

Smith AD (1986) State-making and nation-building. In: Hall JA (ed) States in history. Basil Blackwell, Oxford

Smith AD (1994) Ethnic nationalism and the plight of minorities. J Refug Stud 7(2-3):186-198
 Smith AD (2008) The cultural foundations of nations: hierarchy, covenant, and republic.
 Blackwell, Malden, MA

Spring J (2013) Corporatism, social control, and cultural domination in education. From the radical right to globalization. The selected works of Joel Spring, Routledge, New York

Therborn G (2006) Inequalities of the world. New theoretical frameworks, multiple empirical approaches. Verso, London

Thinley LJY (1999) Values and development: gross national happiness in gross national happiness. Centre For Bhutan Studies, Thimphu

Thinley LJY (2005) What does gross national happiness (GNH) mean? Keynote at the second international conference on gross national happiness, rethinking development, local pathways to global wellbeing, St. Francis Xavier University, Antigonish, Nova Scotia, Canada, 20–25 June 2005. http://www.gpiatlantic.org/conference/proceedings/thinley.htm

Thinley LJY (2009) Keynote address at the "educating for gross national happiness workshop", Thimphu, 7–12 December

Tilly C (1998) Durable inequality. University of California Press, Berkely

Turner M, Chuki S, Tshering J (2011) Democratization by decree: the case of Bhutan. Democratization 18(1):184–210

UPR (2009) National report submitted in accordance with paragraph 15 (A) of the annex to human rights council resolution 5/1, July, Ministry of Foreign Affairs, Thimphu. http://www. mfa.gov.bt/wp-content/uploads/2009/07/upr-report-final.pdf

Ura K (2001) Perceptions of security. J Bhutan Stud 5:113–139. http://www.bhutanstudies.org.bt/journal/vol5/v5-9.pdf

Ura K (2013) The Bhutanese development story. The Centre for Bhutan Studies, Thimphu. http://www.bhutanstudies.org.bt/publicationFiles/Monograph/mono-len-bt-dev-stry.pdf

Ura K, Galay K (eds) (2004) Gross national happiness and development (proceedings of the first international seminar on operationalization of gross national happiness). The Centre for Bhutan Studies, Thimphu

Van Horne W (ed) (1997) Global convulsions. Race, ethnicity, and nationalism at the end of the twentieth century. State University of New York Press, New York

Wiborg S (2000) Political and cultural nationalism in education. The ideas of Rousseau and Herder concerning national education. J Comp Educ 36(2):235–243

Wolf S (2013) Bhutan's political transition. Between ethnic conflict and democracy, paper no. 2, spotlight on South Asia. University of Heidelberg, Heidelberg



Johannes Dragsbaek Schmidt is Associate Professor at Aalborg University, Denmark. He is Senior Expert at Nordic Institute of Asian Studies (NIAS), Copenhagen University, Denmark. He has held visiting research fellowships in Australia, Thailand, Malaysia, Indonesia, the Philippines, and Poland and was recently a Visiting Professor at the Institute for Political Economy, Carleton University, Canada. He has a broad spectrum of research interests, varying from globalization and international division of labor to social and welfare policy and state regulations with a focus on Asia. His most recent publications: Schmidt, J. D. & Rasiah (2011) The New Political Economy of Southeast Asia, London and New York, Edward Elgar Publishing, and Johannes Dragsbaek Schmidt and Jacques Hersh (2002) Globalization and Social Change, London and New York Routledge.

State Violence and Human Rights in Asia



15. The Red Shirt Rebellion in Thailand

Johannes Dragsbaek Schmidt

Welcome to Thailand. The global image of the happy-go-lucky 'Land of smiles' has recently been cast in jeopardy. This carefully crafted global icon was created by global media posters and CNN commercials portraying smiling Thai ladies with a joyful glimpse in their eyes and a friendly and docile working class with a 'no problem attitude.' This constructed image of the Southeast Asian gem of peace, harmony and tranquillity has been promoted by the elite in an attempt to attract tourism and open doors towards foreign investment and a monarchy based on mystique and sacrosanct paternalism, societal stability and attractiveness to the world.

It is remarkable and has to be acknowledged that this deliberately crafted discourse and strategy has been rather successful both externally by the imposition of a positive commercial image and internally as a nation-building strategy and social contract based on national identity and consent. Many foreign and Thai observers are referring to Thailand as a haven for investors and a strong protector of political freedom and human rights in an otherwise volatile region famous of authoritarianism and repressive regimes. The success of these strategies is witnessed by high economic growth which in the 1980s and 1990s reached two digit numbers and Thailand was frequently hailed as the Fifth Tiger economy. The creation of wealth became the yardstick of political legitimacy albeit without welfare and decent levels of equality (Schmidt 1993; 1996).

Recent events have turned the 'Thai Smiles brand' upside down and led to the implosion of these carefully elite crafted iconographic

images. Three conjunctural sequences have put Thailand on the front page of the international media again and again and not always in a favourable spotlight. First, the Asian financial crisis erupted in Bangkok in 1997 and later on spread to the rest of region. The crisis and its aftermath sowed the seeds of the second, in a Thai context, series of unprecedented events where the same Prime Minister and the same political party Thaksin Shinawatra's Thai Rak Thai (Thai's Love Thailand) party won three elections in a row. Since 1932 the people of Thailand have had to face more than 20 attempted or successful military coups, 18 constitutions and 27 Prime Ministers most of them military generals. Thaksin's premiership ended in a military coup d'état in 2006 and led to the present inter-factional conflicts between the Red and Yellow camps within the elite, civil society and bureaucracy. The third and last event occurred when the pro-Thaksin movement the so-called Red shirts (United Front for Democracy against Dictatorship (UDD) objected to the illegitimacy of the Abhisit Government. The Red shirts mounted 6 mass uprisings in spring and summer 2010 against what they regard the unlawful, illegal and military installed democrat led coalition government. The last rally from March 12-May 19, 2010 was crushed by the Army and resulted in 91 death and 2000 injured and what was seen as a massacre by the pro-Thaksin allies and an attempt to restore law and order by the Yellow shirts (People's Alliance for Democracy (PAD), the government and the Military.

Setting the Stage

The bloodshed in May 2010 was the latest violent outcome of a military coup in Thailand in 2006 against Thaksin Shinawatra's Thai Rak Thai led government and the subsequent fall of two Thaksin aligned proxy-parties and rise of an anti-Thaksin Democrat party led government that left the country in a more or less permanent state of crises.

Thailand in 2010 is characterised by an extreme inequality crisis, an urban-rural split; a regional division between the poor North and

Northeast and centrally located Bangkok where money and power is located; an unresolved political crisis; and a war of position regarding the role of the monarchy in the future of Thai politics. On the one side are royalists and nationalists who claim that King Bhumipol Adulyadej (Rama IX) is above politics and only retains a constitutionally defined neutral role in Thai politics. He does not exercise executive power and only reigns (Suchit 1987: 59). On the other side are those who see the Thai monarchy and the King as the preserver and vanguard of conservative and nationalist values (Hewison 1997). The King is depicted as the last bastion of royally-defined Thai nationalism and the ruler of last resort. Key to his achievement has been the power of traditional symbolism, the dynamics of the Cold War, the evolution of Bhumipol's own thought, the little known world of the King's spirituality, and the palace's even less known capitalism (Handley 2006: 10).

Thailand's stability and prospects have become dependent on the legitimacy of the King, the throne and the monarchy that has emerged as the ultimate arbiter in times of emergency. The crises also tap into Thailand's inherent resistance to foreign influence that is perceived as threatening the traditional elite's authority.

Critique of the Royal House has been banned—from movies to international magazines, books and bibliographies, and internet websites. Blogs and chat sites are difficult to censor and some debate about the monarchy is seemingly taking place despite the danger of being accused of lese majestè or even worse. The mandates or 'royal prescriptions' phraratchaniyom have promulgated "what would constitute treasonous activity, for example revealing information to foreigners that might be damaging to the nation or acting against the national interest as agents of spokesmen for foreign governments" (Reynolds 1991: 5-6). This edict from 1939, later translated into legislation, articulates the belief in the ruling elite and the popular masses, "that certain political groups or political activity-most notably communist -was 'un-Thai' or even 'anti-Thai' and thus dangerous, subversive, and destabilizing" (Reynolds 1991: 6). The implication of the mandates and legislation was and is inevitably that Thai national identity and national security has been amalgamated and later on become synonymous with stability of the monarchy.

The royalist defenders of censorship and the lese majestè laws claim that, without the sacralisation of the neutral status of the monarchy, Thailand will be destroyed. What is interesting in the aftermath of September 2006, the removal of Prime ministers Samak Sundaravej and Somchai Wongsawat, and the current crisis in 2010, is that according to a number of observers the King gave his blessing to the military coup d'état (Thongchai 2006; Ukrist 2007; Hewison 2008: 200; Thompson 2008). This has created a new situation for the status of the throne in the sense that it has been dragged into politics and become part and parcel of both solutions and problems in the political realm.

The crisis in Thai politics is further exacerbated by the striking regional imbalances and uneven development which also taps into Thaksin's charismatic popularity as promoter of social change in contrast to the monarch's traditional symbolism as promoter of social order. The military's deliberate resurrection of the Thai monarchy serves as a means of creating a social contract and coherence among regions with divergent interests.

The internal divide between supporters of Thaksin and anti-Thaksin groups is thus related to the status of the Privy Council and King Bhumipol but also the unresolved question about royal succession which essentially can be viewed in the context of power politics (Handley 2006b). The King turns 84 in December 2010 and reportedly is in poor health. The unresolved succession theme also touches on a related anxiety about who is going to preside over the informal and formal institutional influence of the monarchy on the future of Thai politics and economics (Ockey 2005)? As Bowring (2006) notes: "After 60 years on the throne, King Bhumibol Adulyadej's prestige has never been higher, nor his political influence greater (the palace overtly supported the recent coup makers). Yet the Thai monarchy has come close to extinction before, whether at the hands of democrats or generals, so Bhumipol's successor, whoever that may be, will need

to understand that a monarch's political power in a modern state is more."

Military Coup d'états

Many Thai specialists thought that the country's 1997 constitutional democracy and the strength of representatives of civil society, the middle class, private capital in politics inevitably would prevent another military intervention (Schmidt 2010). The reality shows that confrontations between the Prime Minister and the palace became more and more prominent not least because of the attempts by Thaksin to remove high-ranking bureaucrats close to the crown. In effect Thaksin's moves diminished the monarch's influence inside the bureaucracy and seemingly "tried to consolidate his power in anticipation of the post-Bhumibol era" (Kavi 2007a). For months, Thaksin had rivalries with the sovereign and blamed an unnamed 'charismatic figure' for his troubles. Thaksin tried to promote his own loyal faction from the pre-Cadet Class 10 loyalists to the pivotal 1st Army Division. The reshuffle, if accomplished, would have given Thaksin an unbroken chain of command over crack troops responsible for Bangkok's security" (Kavi 2007a). These attempts to attain the upper hand on the state's monopoly of the means of violence showed that the military is not a monolithic entity but rather composed of opposing factions-some pro palace and others more inclined towards constitutional based democracy and still others with agendas for personal or kleptocratic gain. These rivalries went so far that after the King was hospitalized Thaksin offered him a free health insurance-card to the 30-baht health scheme perhaps as a provocation but more likely in order to demystify the traditional aura and mythology of the throne in the eyes of the people.

The palace's intervention and de facto legitimating the coup led one prominent academic to call the event 'a royal plot' (Thongchai 2006). In addition, during the night of the coup, all radio stations and television channels played songs composed by the King, interspersed with pictures of the monarch's activities in rural development projects. This display has led another observer to shrewdly call it "the 'unread announcements' of the coup leaders" (Chairat 2007).

With one exception, the coup in 1976, the main difference between the other 18 coups since 1932 and the military takeover in 2006 was that this time King Bhumibol not only implicitly endorsed the coup, but also through the Privy Council and army proxies appeared to gain absolute control. As Hewison notes about the role of the King's right hand Privy councillor Prem Tinsulanonda, "the palace's footprints litter the trail to the coup. Prem's critical role has been noted and it is impossible that he would act without palace approval" (2008: 204). The Privy Council "as a body can institutionalise not only the formal role of the monarchy but to some degree, as we saw with Prem, it can take on the informal constitutional role of the monarch as well" (Ockey 2005: 123). The Privy Council is the King's "eyes and ears into society" (Handley 2008: 7) and a key focus of lobbying for the palace's support and this way it disseminates his message to all corners of society. General Prem Tinsulanonda, Thailand's still living 'Master-of-military-coups' was Prime Minister from 1980~1988. Since 1998, he has been President of the King's Privy Council. About half of the 18-member Privy Council is comprised of Army Chiefs of Staff, the remainder being former Chief Justices, Prime Ministers etc. All are appointed by the King

The power and influence the monarchy exercises can be interpreted through a dual perspective on the informal and formal institutions of the palace. The throne would not be able to act as patronage of Thai national identity and preserver of social order without real financial and ideological clout. It is not only the symbolic or informal power which is important to understand but also the real institutions of the monarchy (Ockey 2005: 117).

With certain modifications there is some truth in the statement that "Thailand's civil servants literally serve the King" (Vatikiotis 2006) and seen in this light the coup was a predictable outcome of Thaksin's threats against the power circles of King Bhumipol's "network monarchy" (McCargo 2005). Bhumibol had over the years maintained his authority over elected politicians through so-called 'monarchic net-

works' of loyal royalists strategically positioned inside the bureaucracy, including the highest echelons of the military. September 19, 2010 marked the 4th Anniversary of the last coup d'état in Thailand which led to the worst socio-political crisis in Thailand's history and questioned the hitherto unspoken legitimacy of the nations political cultural matrix—the King, the nation and the Buddhist Sangha.

The coup and its aftermath was different from previous coup d'états. It was supported by intellectuals, the middle class citizenry and most major Thai media outlets. Secondly a civil society movement, the People's Alliance for Democracy, spearheaded the ideological conceit that justified the coup. Sondhi Limthongkul lead the PAD and its ideology of "New Politics" which was based on "elite" elements of society, supposedly incorruptible, holding sway over much of the Thai political and governmental landscape. Finally and most alarming was the intervention of the Royal Privy Council in Thai politics. They escorted the Military leaders of the coup to an audience with the King at midnight and got his consent to legitimize the coup (Jaran 2010). The instalment of the Democrat collation government led by Prime minister Abhisit and the bloodshed in the streets of Bangkok in May 2010 was exactly the outcome of these characteristics of the military coup d'état in 2006 which is why it is important to understand the conflict as a sequence of connected events and the background and underlying causes of these events.

In a review of Paul Handley's The King Never Smiles, a banned but widely discussed book in Thailand, it is stressed that the "King remains the ultimate arbiter of power" and citizens expect "that in a crisis it is the King, and not his government, who comes to the people's rescue" (Buruma 2007). Because Thaksin's redistributive and populist ideology became a threat to the hegemony of the palace it would inevitably create a backlash. It was the King's network—their ideology and political sympathies which determined the outcome and later on it is also here we find the underlying causes for the brutal clampdown on civilians in Bangkok in May 2010.

The paper attempts to highlight the background of the conflict which gave rise to the military takeover in 2006 and the subsequent

tensions and contradictions in Thai politics; it further explores the ideological and politico-economic confrontation between the palace and Thaksin and the subsequent Red shirt movement? The question in the end is whether the non-elected "anachronistic, neofeudal" trinity of monarchy, military and bureaucrats (Thitinan 2008: 144) will be able to control and direct Thai societal change into a more peaceful future?

The main findings of the paper confirms Ukrist (2007) conclusions who sees the intervention by the Privy Council and the army factions loyal to the King as part of an inter-factional confrontation between opposing capital interests and the always lurking issue of foreign capital ownership conveniently manufactured as a threat by anti-Thaksin groups. The power politics perspective is complemented with a historical understanding of the ideology and political cultural matrix of the throne in Thailand in order to analyse the competition between the opposing factions' interpretation of Thailand's future political and economic direction and the impact of the rivalry between the two camps in Thai society on human right issues.

The Ideology of the Throne

King Bhumipol has always had historical close ties with the United States. Born and raised in Cambridge, Massachusetts and later on educated in Switzerland his political awareness was sharpened during the Cold War (Handley 2006a: 187~189). It is probably not wrong to suggest that the anti-communism of the old conservative generation of the Privy Council and the King himself has strong influence on their thinking today and Cold War support from the United States has been a keystone of Thai security (Chairat 1985; Surachart 1988). As various observers have argued the monarch values stability over democracy and has been traditionally conservative in his ideological orientation. The construction of the ideology of the throne can be intercepted as an active political force working towards a 'conservative capitalist state' (Hewison 1997) or what others have termed a gate-

keeper state (Lynch 2004) that "protects itself from threats, but less from tangible military threats than ideological ones" (Fong 2009: 674).

Because of the fragmentation and competition in and between the state and the bourgeoisie the monarchy remains a key force for integration. "This dual position, as an agent of political and economic interests, and as a symbol transfigured as the soul and destiny of the nation, requires an iron regime of controlled imagery, given the glaring disparity between the rich and the poor" (Connors 2003: 132-133). It may be argued that the shared societal discourse against progressive taxation, redistribution, social welfare and social rights is a direct outcome of the ideology of conservatism and philanthropy. This type of thinking is articulated in discourses of 'sufficiency economy' which in reality is an ideological value against a socialised economy and a general belief that civil society, the family and the household can replace the role of the state as provider of collective goods. This particular ideology is used to discipline labour's demands for social security and, in general, demands that could humanize and socialize work and living conditions and economic relations (Schmidt 2002: 103).

The reason behind US direct support and recognition of governments in Thailand that came to power by military force, while the monarchy over time came to engage itself deeply in the Thai political, economic, and social structure has been its staunch anti-communism and can only be seen as an attempt to keep alternative discourses at bay. The accusations against the Privy council and especially former Prime Minister and current Chief Privy councillor Prem Tinsulanonda of masterminding military alliances, the palace's control of the Crown Property Bureau with its vast empire of land holdings and companies, and co-optation of the Buddhist sangha, have all led to unclear boundaries between the informal extra-constitutional power of the monarchy and the real institutions belonging to the crown. The support from Washington during and after the Vietnam War has led to the construction of a vast and complex network of modern royalist political, economic and security interests which are entrenched into the national economy. The alliance between the conservative elite and important factions within the military and the formal and informal power structure of the monarchy has required a coordinated formula. "To rationalise military rule while attempting to give it somewhat of a popular face, US and Thai elites consciously promoted reassertion of the monarchy" (Glassman 2007: 2040).

This evolution culminated with the historic 'break' of the popular movement of 1973, on 14 October and with the collapse of the Thanom-Praphat regime (Anderson 1990:40). The ideological restoration started with the bloody coup of October 6, 1976 which implicated all of the major rightwing forces (the palace and King, CIA, Village Scouts, right-wing neo-fascist elements in the military and Supreme Command). The unusual level of brutality and violence (for which no-one has so far been made accountable) was an effort to eradicate and discredit all the groups who would resist the existing order. In the aftermath came the reinforcement of the lese majestè laws and it became clear that the royal family had been closely involved in the incidents or even orchestrated the process that led to the return of military rule and the bloody massacre at Thammasat University in October 1976. In this way the formal intervention by King Bhumipol shows in a contradictory way that, ".... 'Royalism' in the sense of an active guest for real power in the political system by the royal family—i.e. the role of a political 'subject'—persists in a curiously antique form in contemporary Siam... This is all the odder since the present ruler's accession to the throne was a product purely of formal lineage and accident and should therefore have made him an ideal political subject" (Anderson 1977 cf Handley 2006a: 428). King Bhumipol persistently favours weak governments of doubtful competence, inept and usually short-lived regimes that leave his own influence and mystique unchallenged (McCargo 2007: 140). There has been a royal tradition to regain political control and an impulse towards authoritarianism with the result that new laws on lese majestè, blasphemy etc. make it almost impossible to raise a free and meaningful debate about the establishment of a republic or other alternatives.

It is also of interest to note that Prem himself has strong Cold War ties to several leading neo-conservative hawks from the Republican

Party such as Paul Wolfowitz (Crispin 2006; 2007). The pro-US Prem has furthermore a strong influence in the military and has for decades dominated promotions and reshuffles with the result that civil-military relations are very unstable and problematic (Ockey 2005). It is clear that Prem in the weeks leading to the coup in September 2006 met with top brass from the army in full military uniform and repeated that soldiers should be loyal to the King and not the government. Prem was furthermore accused of masterminding the brutal clampdown on the Red shirts in Bangkok May 2010.

The Crown Property Bureau (CPB)

It remains a puzzle whether there is a connection between the coup against Thaksin and the outcome of the financial crisis in 1997 where the King's private wealth was estimated to be US\$ 1.8 billion. In 1998 it appeared to have evaporated as he had been bumped of the Forbes magazine list, "presumably on account of the effects of Asia's economic crisis" (Backman 1999: 249). CPB is owned by the King and the immediate members of the family hold shares in several Thai listed companies. CPB ensures that the Thai royal family remains financially independent of the state. "It also helped keep the family's assets out of reach of Thai politicians and the military" (Backman 1999: 249) and insulated it from political pressures that would be exerted on a monarchy that depends heavily on state funding (Porphant 2008: 167). CPB controls Siam Cement—an industrial multinational conglomerate with 69 subsidiaries and 37 associated companies and several other key companies including Siam Commercial Bank Pcl (SCB) Thailand's third-biggest lender, which is 21 percent owned by the King.

The financial crash on July 2, 1997 saw the baht plunge to 55 to the U.S. dollar from a rate of 25 to the dollar six months earlier. Half of the loans held by Thai banks defaulted. Hundreds of companies collapsed and the King's companies didn't escape. Siam Cement's debt totaled \$6 billion, \$4.5 billion of it in dollars, and at a stroke the Crown Property Bureau "lost some 75% of its income and was forced to borrow heavily to cover royal household expenses" (Porphant 2008: 175).

Today King Bhumibol with an official fortune of \$5 billion is the fifth richest among the royals in the world (Pendleton et al. 2007), but as Bachman notes "Crisis or no crisis, the King's private wealth seems to have been wildly under-estimated. Real estate investments and massive holdings of Thai blue-chip stocks have underwritten much of the Thai royal family's private riches. The true figure of the family's personal wealth is likely to be closer to US\$ 8 billion (split roughly between Thai blue chips and Bangkok real estate [1999 figures J.D.S.]) (Backman 1999: 249) while others estimate that the total value of the CPB is closer to US\$ 41 billion or around a trillion in baht terms (Porphant 2008: 184). Moreover, the company has a special status as it is not bound by any rules like state-owned enterprises, a listed company, or even an ordinary unlisted business (Porphant 2008: 174) which makes the secrecy of the institution and its value almost complete.

The CPB, and hence the King, is the single biggest landlord in Thailand. They own enormous holdings in most of the provinces ... "and as much as one quarter of all Bangkok's central business land is in the hands of the bureau.... the bureau is sitting on a land bank in the middle of Bangkok of some 2.5 million square meters" (Backman 1999: 251). A further income of the monarchy comes from donations and the budget allocation from the government which "makes the majority of the income of the monarchy dependent on the success of the economy in general and of its specific investments in particular" (Ockey 2005: 119). It is furthermore important to note that the part of the income generated is spend on benevolent royal development and other types of projects which enhance national identity, but these projects are also a mean to influence and enhance the prestige of the monarchy. The royal projects, along with low rents and media campaigns, are an orchestrated effort by the palace to win political support for the throne. This can also be seen from the many villagers who petitioned the King directly to help them (Handley 2006a).

Foreign capital interests are very rosy in the way they characterize the importance of the throne: "The crown is the one single unifying force in Thailand," says Korn Chatikavanij, former chairman in Thailand of JPMorgan Chase & Co. Related to the question about sucession: "Every change means uncertainty, but the Thai people's respect for the King transcends the person and reflects a deep, instinctive respect for the institution" (Mellor 2007).

It seems quite evident that questions related to the role of foreign capital and rivalry between domestic capital interest played an important role in terms of the decision of the monarchy network to support an authoritarian solution in 2006 and again in 2010 and thus run the risk of tarnishing the international image of a benevolent King.

According to data compiled by Bloomberg in 2006, in total, the companies controlled by CPB account for more than 7.5 percent of the market capitalization of the Stock Exchange of Thailand (SET). Before Thaksin and his family owned Shin Corporation sold their biggest holdings they accounted for as much as 10 percent of the SET.

Thaksin's Shin Corporation

Thaksin had not only managed to become the richest man in the country but he very well knew palace weaknesses and already in 1997 he was aware of the fact that the throne depended on the government to save palace-controlled SCB after the financial crash (Handley 2006c). This was further exacerbated by what could be seen as Thaksin's attempt to challenge the King as the new charismatic symbol of salvation of the nation and his attempt to acclaim the same prestige and power as the monarch as an enlightened and benevolent leader. The sale of Shin Corporation to Singapore became his last mistake. Thaksin was considered a threat to the traditional elites not only because his "charismatic" legitimacy was overshadowing the elites' "traditional legitimacy" but also controversial because of his flamboyant and provocative style.

One of the accusations against Thaksin was that he sold national assets to a state-owned Singaporean company (Pethanet 2006). A report in 2006 indicated that the accusations against Thaksin eventually both have a security and a real capital interest issue. The sale itself involved a 'who's who' with the biggest political and business names in Thailand and Singapore. The US investment banking firm Goldman Sachs was the adviser of the deal and the CPB owned SCB alone pocketed about Bt800 million for the advisory deal (Thanong 2006).

Thaksin was accused of selling national assets to Singapore because Shin corporation through its affiliates, controlled a mobile phone concession, a satellite concession, a TV concession (formerly owned by the King's CPB) and aviation rights. To make matters worse he was accused of not paying any tax of the deal (Thanong 2006). Most criticism, however, centered on the complicated shareholding structure Temasek used to purchase Shin in such a way that it could bypass Thai law on foreign ownership restrictions. An anonymous correspondent noted that: "Despite these interlocking interests, public anger was directed solely at Thaksin for "selling off" a valuable Thai national asset to foreigners. SCB and CPB were barely mentioned in the local press, even though they actively helped Temasek allegedly violate the law" (Asia Sentinel 2007).

It also has to be taken into account that another important outcome of the 1997 financial crisis brought a very significant change to the ownership structure of Thai commercial banks. Before they were monopolized by tycoon families and the CPB, but now a considerable portion of assets had been transferred to foreign shareholders, especially Singaporean financial institutions (Kitti 2006: 17). It means that foreign ownership became a contested issue not only in the domestic political economy but even more as a sensitive security related issue involving manipulation of popular sentiment from a variety of interests.

These deliberations show that 13 years after the financial crisis there are still important implications which involve regional players like Singapore and others as well. As a close friend of Prem and affiliate with the monarchy network Anand Panyarachun wrote in the Nation "the well-being of the people is tantamount to the well-be-

ing of the sovereign. The two are inseparable and inter-related." He furthermore put stress on the concern of the King for the "security and stability of the Thai nation" (2006).

This is not to underestimate the importance of Thaksin's challenges to the King and CPB. Thaksin became a rival to the palace both in terms of popularity, as a benevolent donor of social welfare, and simply because he became one of the richest men in the country. Not only the 'monarchy network' but intellectuals and union leaders as well (Kasian 2006) considered Thaksin as a more dangerous threat than the communist insurgency in the 1970s and a threat to the image and popular appeal of the King's 'sufficiency economy' as well. The King's and Prem's privileged position in Thai society began to decline after Thaksin became Prime Minister. The monarchy network was threatened by the assertiveness of Thaksin's new political economy network-ideologically, politically and economically (McCargo and Ukrist 2005:chp. 6). The competing ideologies of the King's 'sufficiency economy' as a response to globalization and Thaksin's state funded social welfare programmes to the poor were essentially a struggle over who would control the hearts and minds of the masses.

The Stony Road to Democratization

The military take-over in 2006, the Privy-Council appointed Supreme Court and the post coup Constitution of 2007, drafted under military sponsorship, bears antidemocratic traits (Thitinan 2008: 142). The result is an amalgamation of military and judicial power (Kate 2007) and together with the imposition of an authoritarian Internal Security Act it had grave ramifications for the dissemination of political and social change and norms in Southeast Asia and beyond. In this way, the military intervention and the current tensions between Thaksin's followers and Royalist Democrats lends greater legitimacy to authoritarian regimes in the region.

A good illustration came when munks and students went to the streets in Yangoon in 2007. Then Prime Minister Surayud Chulanont wrote a letter to the Burmese General Than Shwe expressing solidarity with him and stressing that he was speaking as one soldier to another. According to a report in the Nation it "was a shameful gesture from a leader who claims to be democratic. Such hypocrisy at the personal level has further hampered Thai diplomacy on Burma" (Kavi 2007). Such sentiments also seem to be embodied in the palace where King Bhumipol on earlier occasions "surprised a group of visiting statesmen by making a stern defence of the military regime in Burma and branding the Nobel Peace Prize winner Aung San Suu Kyi a troublemaker" (Irish Times February 6, 2007). This illustrates the almost predatory view of a split civil society and a weak political system is preferable.

Civil society in Thailand is not that different from other countries. It is split between civic and progressive forces and a more conservative —and in some cases anti-democratic and illiberal—sector. Although the elite does pay lip-service to participation and empowerment it is essentially a strategy of 'anti-politics.' A conscious strategy leading to marginalisation of political contestation it envisages a more active role for the state as a regulator for civil society seeking to promote the disciplines of the market.

The Thai case shows that crises can set in motion events that cause institutions to deteriorate. The 2009~2010 crises has increased distrust and fear, and weakened the prospects for democratisation. Today the Thai economy is in low gear with slow growth and sluggish demand. This is also connected to the political situation, which remains unresolved. The problems of the important tourism sector are not so much related to the crisis as such, but are a result of the clashes between pro-and anti-Thaksin forces.

However, the Thai crisis in 2010 is more a political crisis than an economic one, but behind this fault line is a structural problem related to re-distribution and inequality. There is a fear among the elite that the hegemony of the traditional paternalist Thai aristocratic elite is coming to an end. The challenge from the rebellion of the poor and marginalised—symbolised by billionaire Thaksin as a leadership figure—threatens to tear apart Thai society and, in the worst-case scenario, it will end in civil strife and more violence. The levels of corruption and kleptocracy amongst members of the elite appear

to have reached endemic heights—and this includes both camps: the royalist aristocrats and the more neo-liberal oriented, but social-protection aware, camp of Thaksin reminding us of the predatory stage of Thai political evolution.

Civil society appears to be paralysed by the present political crisis and can to large degree be characterised by its anti-Thaksin doctrine but also a split with other factions supporting the Red shirt movement. Great parts of civil society groups, NGOs and community based organizations originally supported him but turned against his sift towards neo-liberal policies and abuse of human rights and in the end they actually supported the military coup against Thaksin as they saw him as a corrupt politician and an unreliable person. For some he is even seen as an anti-monarchy politician, a threat to national unity and his social welfare policy as a cover for populist policies and self-enrichment.

In this way Thaksin is accused of using the social welfare programmes in a strategic way to pursue what was termed his populist spending programmes in the sense that his support for local initiatives was a way to exploit rural dissidence and protest which evolved into a rural movement – but once he came into power he revealed his lack of interest in the rural and local causes. His main strategy for rural change was to pump in capital funds. He had no interest in land reform, land-to-the-tiller programmes, tax reforms, or other policies to shift the structural position of peasants within the national economy and in this way Thaksin appears to have more in common with the aristocratic elite than differences when it comes to more substantial issues such as social re-distribution, equality and not least human rights.

One should not forget that Human rights groups also condemned Thaksin for media suppression and a violent counternarcotics campaign that resulted in at least 2,500 killings in a three-month period in 2003. However, this 'War on Drugs' he pursued in cooperation with the most reactionary elements of the Establishment. The countryside was 'cleaned up' for a while, but in that process some 2,500 people, innocent and otherwise, lost their lives, often brutally and mercilessly.

This brought him many enemies, especially amongst the NGOs. Needless to say, the drug trade is flourishing again.

In 2004, separatist violence increased in Thailand's four southernmost provinces, home to most of the country's four million Muslims. Thaksin mounted a hard-line response, and the provinces of Narathiwat, Yala, and Pattani were placed under martial law that year. The government was accused of human rights abuses in its effort to put down the insurgency, with two cases in particular, known as the Krue Se and Tak Bai incidents, resulting in the deaths of 191 people and drawing international condemnation of the regime.

What seems strange today is the absence of international condemnation of the Abhisit government's abuse of human rights. There seems to be a degree of double-standards involved. Western governments have only vaguely protested the serious crimes being committed by the military and the Committee for the Resolution of the Emergency Situation (CRES). The crackdown on anti-monarchy elements in Thai society appears as if the monarchy is used as a means to demonize political opponents. Without a strong reaction from abroad the current regime can continue unhindered with its abuse of human rights.

A new much-criticized public gatherings bill seems to be approved in parliament in the near future. This bill would mean that only police-approved rallies of more than 10 people would be legal. As one anonymous commentator remarked in Bangkok Post forum: "Human rights in Thailand—the few that remain—would suffer yet another kick down the road of the fascist state."

Thailand's broadcast media are also subject to restrictions; the six main television stations and all 525 radio frequencies are controlled by the government and military. The abuse of the Computer Crimes Act has complemented prosecutions of lèse majesté. Police Colonel Suchart Wongananchai, Inspector of the Ministry of Information and Communications Technology, recently admitted to blocking over fifty thousand websites found by Ministry employees to have violated the Act.

In its "Freedom in the World 2010" survey, for instance, Freedom House stated that Thailand is not an "electoral democracy," owing

to the constant interference of the military in the political process as well as the Democrat Party's insistence on governing the country in the absence of an electoral mandate. Freedom House further chastised the Democrat-led administration for its "use of the country's lèse majesté laws to stifle freedom of expression," particularly against "activists, scholars, students, journalists, foreign authors, and politicians who were critical of the government." In a report released earlier this year, similarly, Human Rights Watch lamented the "serious backsliding" observed in Thailand's human rights record over the course of Abhisit's first year in office, arguing that the Abhisit administration "continually undermined respect for human rights and due process of law."

Meanwhile, Thailand slipped 23 places to a ranking of 153rd in the 2010 World Press Freedom Index of Reporters Sans Frontieres (RSF). Thailand was ranked 84 out of 180 countries surveyed in Transparency International's 2009 Corruption Perceptions Index. Since May 19 many bookstores and newsagents are refusing to carry red-shirt titles either out of fear of upsetting the authorities or because of their anti-red stance. Thailand is steadily becoming "a censored society" where some trains of thought can be illegal, or even a crime, making speaking about certain taboo topics and exercise in political courage.

Censorship is prevalent in societies that cannot deal with differences openly and peacefully. If those in power can't accept your views, they try to shut you up. If you refuse to shut up, then you end up in jail either over charges of violating the emergency decree, the lese majeste law or the computer crime law. In extreme cases, you can die just like the red-shirt protesters did earlier this year. Killing can be a form of censorship too and extra-judicial killings are now again common practice all over the Kingdom.

Among other important human rights issues are the treatment and forced repatriation of Rohingya migrants from Burma. Concern has also been raised regarding the conduct of the Thai military in its counterinsurgency operations in Thailand's southern provinces.

Concluding Remarks

Shortly after the coup, Philip Bowring noted that in 1976 and again in 1991, the military has not specifically acted in the name of King Bhumibol Adulyadej but his consent is generally assumed. That will be interpreted by some as further evidence of his stabilizing influence, saving Thailand from the designs of corrupt politicians and ambitious military men. Others, however, will see it as evidence of the palace's distaste for democracy and its determination to preserve its own influence, rebuilt by the king after a period when it had been sidelined by both democrats and dictators (Bowring 2006b). The may 2010 incident has added to the speculation whether this will lead to further loss of royal legitimacy and in the end will break the power of the monarchy in Thailand.

Thaksin became a major competitor with the palace both economically, politically and not least symbolically at the ideological level. This would sooner or later create a political backlash as the threat of undermining the throne became apparent.

It seems that the reason why King Bhumipol and the 'monarchy network' decided to oust Thaksin depended on a number of incidents. It also seems that the informal institutions were not enough and hence the formal power and influence had to be activated. Not only did Thaksin mishandle the situation in the Muslim Southern provinces, and the economy was heading towards shackles, but his social and economic policy was also an outright provocation to the conservative ideology of the palace. The question about succession is also important.

The palace is seen by many Thais as having taken sides against Thaksin and his followers. The intervention has formally been accomplished by the Privy Council which has proven a new type of royally endorsed overt political authoritarianism. The result being that the King and his heirs have become part and parcel of the conflictual realm of participatory politics and cast doubt about the future appropriate role of the monarchy. Following is the potential for conflict with competing factions vying of power with a highly volatile impact or contagion effect in Southeast Asia and a critical domestic and

international debate about the charisma, symbolism and constitutional role of the palace in Thailand.

The question is which parts of society will be affected the most by the current stalemate? Is there a classical winner and loser divide? This depends on the outcome of the current confrontation between the red and the yellow shirts and the UDD, the caretaker of Thak rai Thai, Puea Thai party on the one side and the government and the military on the other. A quick look at recent Thai history would tell us that the progressive and pro-poor forces in civil society will lose and after the military crackdown on the protesters in Bangkok and the UDD have been branded terrorists and hunting down thousands of sympathisers. The winners will be the middle class and the pro-US and conservative elite. Another scenario is a compromise between the factions of the Thai elite and a re-imposition of a weak but democratically elected government unable to touch the privileged minority elite. The losers in both scenarios are the peasantry and poor working people.

Basically it is up to the Thai people to decide their own destiny. My personal view is that Thailand must re-think its current overreliance on EOI and foreign capital. To address the issue of social justice, which is one of the most pertinent structural problems in Thai society, by the introduction of a fair tax and redistribution policy including a variety of social protection programmes and to lift restrictions in the Thai legal system which obstruct the establishment of free and autonomous trade unions and political parties which adopt a social profile are two ways to overcome the impacts of the present and future crises.

Another important issue is related to the draconian and anachronistic lèse majesté laws, which prohibit any discussion about the role of the monarchy in Thai society and politics. One of the results of the 1997 crisis was the introduction of Thaksin's social policies and his courting of the heirs to the Throne. In reality the competition between benevolent elite-directed discourses is a question about winning the hearts and minds of the rural poor—especially in the North-eastern Isan region; in this equation Thaksin became a threat to the old conservative elite and this threat is still very influential in Thai politics. It seems that the majority of ordinary citizen's vote for social change and it is important to keep in mind that organisation according to (economic) interests as opposed to other lines is one important avenue of change and a way to avoid the social pitfalls of crises.

It is too early to judge whether Thaksin can return to Thai politics or not. He remains an important political and symbolic figure for the UDD Red shirts in the sense that he stands for social and political change. As long as the stalemate continues, Thaksin and his supporters must be included in a compromise—and it is not impossible that the Puea Thai party will win the next election. However behind it all is the question about succession to the Throne. The Thai monarchy is in crisis partly because Thaksin became a rival and interfered in the succession and partly because the Crown Prince is disliked by many Thais. As long as this issue cannot be debated openly, Thaksin, the UDD and the Puea Thai party will remain a formidable opposition to the ruling elite.

References

- Anand Panyarachun (2006) The King's constitutional powers and beyond, Nation, 6 September.
- Anderson, Benedict (1990) Murder and Progress in Modern Siam, New Left Review, nos. 181, May-June.
- Anderson, Benedict (1978) Studies of the Thai State: The State of Thai Studies, in Eliezer B. Ayal (ed.) The Study of Thailand: Analysis of Knowledges, Approaches, and Prospects in Anthropology, Art, History, Economics, and Political Science, Ohio Athens: Ohio State University Center.
- Asia Sentinel (2007) The Crown Property Bureau and How it Got That Way, 1 March, http://www.asiasentinel.com/index.php?option=com_content& task =view&id=403&Itemid=32
- Backman, Michael (1999) Asian Eclipse. Exposing the Dark Side of Business in Asia, Singapore: John Wiley.
- Bowring, Philip (2006) Monarchs sitting and waiting, International Herald Tribune, December 14.
- Buruma, Ian (2007) Thailand: All the King's Men, The New York Review of Books, vol. 54, no. 3, March 1.
- Chairat Charoensin-o-lam (2007) Military Coup and Democracy in Thailand, Paper delivered at the Thailand Update Conference 2007, the Australian National University on August 31.
- Chairat Charoensin-o-larn (1985) Understanding Postwar Reformism in Thailand, Bangkok: Duang Kramol.
- Connors, Michael Kelly (2003) Democracy and National Identity in Thailand, Curzon, London: Routledge.
- Crispin, Shawn (2007) Thaksin's loss, US's gain, Asia Times, February 9
- Crispin, Shawn (2006) Thailand: All the King's Men, Asia Times, September 21.
- Fong, Jack (2009) Sacred Nationalism: The Thai Monarchy and Primordial Nation Construction, Journal of Contemporary Asia, vol. 38, issue 4, 673.696.
- Freedom House, "Freedom in the World, 2010 Edition," http://www.freedomhouse.org
- Glassman, Jim (2007) Commentary, Environment and Planning A. Vol. 39.

- Handley, Paul M. (2008) Princes, Politicians, Bureaucrats, Generals. The Evolution of the Privy council under the Constitutional Monarchy. Paper for the 10th International Conference on Thai Studies, Thammasat University, Bangkok, January 9-11 (corrected version January 15 2008).
- Handley, Paul M. (2006a) The King Never Smiles. A Biography of Thailand's Bhumipol Adulyadej, New Haven and London: Yale University Press.
- Handley, Paul M. (2006b) Who gets the Kingdom's sceptre when Bhumipol leaves the stage? *Asia Sentinel*, 6 November. http://www.asiasentinel.com/index.php?option=com_content&task=view&id=249&Itemid=31
- Handley, Paul M. (2006c) Royal Manoeuvres, *Asia Sentinel*, 8 September. http://www.asiasentinel.com/index.php?option=com_content&task =view&id=153&Itemid=34
- Hewison, Kewin (1997) The Monarchy and Democratization, in Kewin Hewison (ed.) *Political Change in Thailand: Democracy and Participation*, London: Routledge.
- Human Rights Watch (2010) "Thailand Serious Backsliding on Human Rights," January 20.
- Jaran Ditapichai (2010) 4 years after the Coup d'état September 19, 2006 by Jaran Ditapichai, *Ratchaprasong News*
- Kasian Tejapira (2006) Toppling Thaksin, New Left Review 39, May-June.
- Kate, Daniel Ten (2007) The Rise of Thailand's Third Branch, Asia Sentinel, 11 May. http://www.asiasentinel.com/index.php?Itemid=185&id= 490&option=com_content&task=view
- Kavi Chongkittavorn (2007) Time for Thailand to revisit its policy on Burma, *The Nation*, 28 October.
- Kitti Prasirtsuk (2006) From Political Reform and Economic Crisis to Coup d'etat: The Twists and Turns of Thai Political Economy n.d.
- Lynch, David (2004) International "Decentering" and Democratization: The Case of Thailand, *International Studies Quarterly* vol. 48, 339-362
- McCargo, Duncan and Ukrist Pathmanand (2005) The Thaksinization of Thailand, Studies in Contemporary Asian History, Copenhagen: NIAS Press.
- McCargo, Duncan (2007) A Hollow Crown, New Left Review, no.43, January-February.
- McCargo, Duncan (2005) Network monarchy and legitimacy crises in Thailand, The Pacific Review 18, no. 4.

- Mellor, William (2007) Thai King Strengthens Grip on Stocks as Nation's No. 1 Investor, Bloomberg, August 1. http://www.bloomberg.com/apps/ news?pid=20602005&sid= aZ0o4kBLphDs&refer=world_indices
- Ockey, James (2005) Monarch, monarchy, succession and stability in Thailand, Asia Pacific Viewpoint, vol. 46, August.
- Petchanet Pratruangkrai (2006) Shin Corp. Temasek may lose heavily on sale, The Nation, 18 October.
- Pendleton, David Cristina von Zeppelin, Chaniga Vorasarun, Tatiana Serafin (2007) Richest Royals, 17 September. http://members.forbes.com/forbes/2007/ 0917/054.html
- Porphant Ouyyanont (2008) The Crown Property Bureau in Thailand and the Crisis of 1997, Journal of Contemporary Asia, Vol. 38, No.1, February.
- Pravit Rojanaphruk (2010) Is Thailand becoming a censored society? The Nation. September 10. http://www.nationmultimedia.com/home/2010/09/10/politics/Is Thailandbecomingacensoredsociety30137661.html
- Reynolds, Craig J. (1991) Introduction: National Identity and Its Defenders, in Craig J. Reynolds (ed.) National Identity and Its Defenders. Thailand, 1939~1989, Bangkok: Silkworm Books.
- Scharinger, Julia (2010) Thailand in the Face of the 1997 Asian Crisis and the Current Financial Crisis: An Interview With Johannes Dragsbæk Schmidt, ASEAS, Österreichische Zeitschrift für Südostasienwissenschaften, 3(1), Austrian Journal of South-East Asian Studies.
- Schmidt, Johannes Dragsbaek & Rasiah, Rajah (eds.) (2010) The New Political Economy in Southeast Asia, London and New York: Edward Elgar Publishing, Incorporated.
- Schmidt, JD (2007), 'Globalizing Social Welfare and Labor Markets in East and Southeast Asia, in Woontaek Lim (ed.) Diversity and Dynamics of Globalization: Socio Economic Models in Global Capitalism, Korean Sociolocal Association and National Research Council for Economics, Humanities, and Social Sciences.
- Schmidt, Johannes Dragsbaek (2002) Democratization and Social Welfare in Thailand, in Duncan McCargo (ed.) Reforming Thai Politics, Copenhagen, Denmark: NIAS Press.

- Schmidt, JD (1996), "Paternalism and Planning in Thailand: Facilitating Growth Without Social Benefits," in Parnwell, Michael J. G. (ed.) *Uneven Development in Thailand*, Avebury UK: Ashgate Publishing Company.
- Schmidt, JD (1993) "Theory and Reality of Democracy and Thai Democratization," *Philippine Quarterly on Third World Studies*, Papers on Democratization and Empowerment Vol.8, 3, Manila, Philippines.
- Suchit Bunbongkarn (1987) Political Institutions and Processes, in Somsakdi Xuto, Government and Politics of Thailand, Singapore: Oxford University Press.
- Surachart Banrungsuk (1988) United States Foreign Policy and Thai Military Rule, Bangkok: Duang Kramol
- Thanong Khanthong (2006) Overdrive. Shin Corp sale involved a who's who of Thailand, S'pore, *The Nation*, 10 March.
- Thompson, W. Scott (2008) He not only reigns, he rules, *Los Angeles Times*, December 11.
- Thongchai Winichakul (2006) A Royalist Coup with Ulterior Motives, September, http://www.freewebs.com/worrawoot/Aroyalistcoupwithulteriormotive Sept06.doc
- Ukrist Pathmanand (2007) Coup, capital and confrontation in the late Thaksin era, in Johannes Dragsbaek Schmidt and Soeren Ivarsson (eds.) *Debating Thailand's September 2006 military coup d'état, Asia Insight*, Copenhagen: Nordic Institute for Asian Studies.
- Vatikiotis, Michael, (2006) When Kings do good, *International Herald Tribune*, May 18.



Aalborg Universitet

A Cacophony of Crises

Systemic Failure and Reasserting People's Rights Schmidt, Johannes Dragsbæk

Published in: Human Geography

Publication date: 2010

Document Version Early version, also known as pre-print

Link to publication from Aalborg University

Citation for published version (APA): Schmidt, J. D. (2010). A Cacophony of Crises: Systemic Failure and Reasserting People's Rights. Human Geography, 18-33.

Copyright and moral rights for the publications made accessible in the public portal are retained by the authors and/or other copyright owners and it is a condition of accessing publications that users recognise and abide by the legal requirements associated with these rights.

? Users may download and print one copy of any publication from the public portal for the purpose of private study or research. ? You may not further distribute the material or use it for any profit-making activity or commercial gain ? You may freely distribute the URL identifying the publication in the public portal ?

Take down policy
If you believe that this document breaches copyright please contact us at vbn@aub.aau.dk providing details, and we will remove access to the work immediately and investigate your claim.

Downloaded from vbn.aau.dk on: May 14, 2019

A CACOPHONY OF CRISES

SYSTEMIC FAILURE AND REASSERTING PEOPLE'S RIGHTS

Johannes Dragsbaek Schmidt

Research Center on Development and International Relations, Aalborg University, Denmark

Abstract

A cacophony of crises challenges neoliberalism and marks a fundamental reversal in capitalism itself. This is a systemic failure of the capitalist mode of production to renovate and renew itself through a multiplicity of environmental and resource crises and the financial crises which has important links with the real economy. Capitalism cannot survive by simply inventing new institutions – global or national – or by shifting to another phase. New nationalisms and protectionisms loom on the horizon, while darker shades of xenophobia are another possible scenario. A further possibility lies in the emergence of informalized labor markets and economies as a result of the last phase of neoliberal globalization. Informalization or

disposessed surplus labor has some revolutionary potential. The paper discusses various alternatives based on the new economy of the informalized sectors



Keywords:

crisis, neo-liberalism, globalization, nationalism, protectionism, labor, capital, informalization, alternatives

The Investor's Prayer

Paul Lafargue (16 June 1842 - 26 November 1911), a French Marxist, was Karl Marx's son-in-law. This prayer is excerpted from his satire <u>The Religion of Capital</u> published in French *La Religion du Capital* 1887.

My father, CAPITAL, who are on earth, Almighty God, who changest the course of rivers, tunnelest mountains, separatest contiguous shores, and meltest into one distant nations. Creator of Merchandise, and Source of Life, oh, Thou, who rulest Kings and subjects, laborers and employers, may Thy Kingdom be for evermore on earth. Give us plentiful purchasers to take our goods off our hands, without looking too closely whether these be genuine or shoddy, pure or adulterated. Give us needy working people, who will accept the hardest work and the lowest pay without grumbling. Send us gudgeons who may be allured by the tempting bait of our prospectuses, and ensnared in the network of our fair promises. Cause our debtors to pay us their debts in full. Lead us not into the penitentiary, but deliver us from bankruptcy, and grant us never ceasing dividends. Amen.

The capitalist world economy is in crisis. The promises of neoliberal globalization have failed to materialize. Even adherents of the ideology of utopian "free-markets" fear that, with this temporary phase of crisis, globalization has reached its end-point. The strategy of neoliberalism on the world scale has become synonymous with a dysfunctional calamity of hyper-exploitation, growing inequalities, exclusive imposition of property rights, and greed that benefits a tiny elite of super nova rich. Since 1995, signs of decline have multiplied, turning a confused situation into a world-wide depression. "We have scarcely noticed this collapse, however, because globalization has been asserted by its believers to be inevitable -- an all-powerful god; a holy trinity of burgeoning markets, unsleeping technology and borderless managers. Opposition or criticism has been treated as little more than romantic paganism" (Saul 2004; Saul 2005).

With the 2008 Wall Street crash, this prediction seems timely, although others, like Morgan Stanley's Stephen Roach, had already warned in 2004 that America had no "better than a 10 percent chance of avoiding economic 'Armageddon'." This because of the trade deficit. To finance its current account deficit with the rest of the world, the United States would have to import \$2.6 billion in cash every working day. Household debt was nearing 85 percent of the size of the US economy in 2004 (Arends 2004). 1929 repeats itself. IMF estimates show the loss of asset values at \$55 trillion, equivalent to almost exactly one year's global output of goods and services (Harvey 2009). This situation has led the Chinese state media to blame the US for unleashing financial "weapons of mass destruction" and sparking a global market "tsunami".

This paper argues that we have reached the end of the phase of neoliberal globalization and will probably move into a period of renewed nationalism and protectionism. Energy depletion and climate change converge with global economic meltdown, exacerbating it, to create a post-neoliberal collapse of the world economy. This scenario is covered in the first section of the paper. The second section gives examples

of the current drive towards nationalist and protectionist measures. The third section discusses whether these are viable. It argues that understanding the era of neoliberalism as an ideological discourse has been an inadequate conception of the deregulation and privatization drive, since the inception of the neoclassical counter revolution at the beginning of the 1980s. This framing of the problem prevents the necessary thinking for advancing an alternative strategy in the wake of on-going crisis. It is more important than ever to distinguish between understanding neoliberalism as an ideologically-driven strategy to free markets from states on the one hand, and a materially-driven form of social rule that has involved the liberalization of markets through state intervention and management, on the other (Panitch and Gindin 2008). Section four argues for mobilizing an alternative in the informal sector. Finally these discussions are put into the larger picture concerning current debates about rights, democracy and so-called civil society-based organizations within a cacophony of crises.

Introduction

The damaging results of the last few decades of free-wheeling Ponzi capitalism were predictable from the very beginning. In the 1980s, the real economy crumbled into an artificial and speculative "casino economy" (Strange 1986); labor markets were increasingly informalized, resulting in the emergence of parallel economies (Schmidt 2006); there was a subsequent growth of an estimated 15-20 percent of the real parallel economy in the forms of global crime and the shadow economy. The monopoly of the means of organized violence in the state in the South disappeared, and the world became "littered with collapsed states." In those parts of the third world, "wars have been fought by irregular armies, commanded by political and religious organizations, often clan-based, and prone to savage internecine conflicts" (Gray 2001). In others, like Iraq, Afghanistan and the Congo, the wars are fought by private Western security companies, involved in illegal atrocities, and in many cases acting as proxies for US and European governments, outside international law and jurisdiction.

One of the results of this chaotic informalization of the global economy is a growing flow of migrants, asylum seekers and refugees trying to cross borders. More than 100 million international migrants, without basic human rights, are vulnerable and marginalized. They are the 'heroes' of the so-called "Asian miracle", who comprise the bonded labor substitute for the non-redistributive economic policies of the region, and who bear the costs of the non-existing East Asian welfare state on their shoulders. They have built the skyscrapers of the Asian metropolises and they live and work together with the internal migrants and slum dwellers in the informalized sectors of Bangkok, Singapore, and Shanghai.

On a global scale, privatization, trade liberalization and market deregulation have led to informalization. Massive financial turmoil, a real social crisis of increasing global, regional and national inequalities, and a growing gap between the developed and developing nations, sparked an alarming food crisis. The World Bank, prime promoter of the "free trade and export or die" model, warned, in 2008, that food riots might take place in 33 countries. And the WTO fears resurgence in protectionism: some foodexporting countries - India, Vietnam, Egypt, and Kazakhstan - decided to reduce exports in order to protect their own societies from food shortages. World prices for commodities rose dramatically (over 35% in 2008 alone), and millions of people try to survive below the UN-established minimum food intake. The UN Special Rapporteur for the Right to Food, Jean Ziegler, said that the production of biofuels is "a crime against humanity" because of its impact on global food prices. He also accused the EU of undermining production in Africa by subsidizing its agriculture. "The EU finances the exports of European agricultural surpluses to Africa ... where they are offered at one half or one third of their (production) price." "That completely ruins African agriculture," and "creates hunger refugees". In 2008, rising food costs sparked violent protests in Cameroon, Egypt, Ethiopia, Haiti, Indonesia, Ivory Coast, Madagascar, Mauritania, the Philippines and other countries. In Pakistan and Thailand, troops were deployed to prevent seizures of

food from fields and warehouses, while price increases fuelled a general strike in Burkina Faso. Jean Ziegler further refers to the "schizophrenia in the UN system and in states' policies" as one of the key obstacles to the promotion and protection of the right to adequate food. He condemns the World Bank and the IMF for their refusal to recognize the existence of the right to food, and finds that their insistence on the privatisation of institutions and public utilities, the liberalisation of agricultural trade, and market-assisted models of land-reform "create catastrophic consequences" (UN General Assembly 2006).

The US dominated international organizations (the UN, IMF, World Bank and WTO) have been turned into instruments of power politics. The legitimacy of the global governance system has been increasingly eroded by double-speak and doublestandards, not only in food policy, but in terms too of democracy and human rights. If the wrong side wins elections, like Front Islamique du Salut in Algeria, or Hamas in the Palestinian occupied territories, the democratic process is suspended by the Western democracies. Under the pretext of making the world "safe for democracy", Washington has followed a policy of regime change. By focusing on the wars in Iraq, Afghanistan, and possibly next Iran, whose ultimate purpose is to secure US and European oil interests, encircle Russia and China, and guarantee Israel's regional interests and territorial expansion, the executive and legislative branches of government, along with the media, have lost the last opportunities for the US had to put its financial house in order (Roberts 2007). In the last instance, this course threatens to undermine the legitimacy of democracy itself as a legitimate form of governance.

Loaded with contradictions, the democracy and human rights discourse is in desperate need of deconstruction. Economists Jean Drèze and Amartya Sen estimate that, departing from a similar base, authoritarian China and democratic India have followed different development paths and that the difference between the social systems of these two countries results in about 3.9 million extra deaths in India every

year. In Latin America, 285,000 lives would be saved each year if Cuban health and food policies were applied. As Brickmont (2006) notes: "I am not saying that social and economic performance can justify deficiencies in other fields of human rights. But no-one would maintain that the contrary is true: respect for individual and political rights does not justify flouting social and economic rights. Why do the defenders of human rights remain silent on this point? With regard to Cuba: Can the lack of individual freedoms be justified by effective health care?" Such double-standards are closely linked to the performance of the global governance system and the legitimacy of the post-Washington consensus.

The function of those in power, and their institutions, is to promote the expansion of capital accumulation. IFIs are often criticized on the ground that their policies do not promote development. But it should be understood that their primary function is, besides preserving the viability of the world capitalist system, to promote capital accumulation, which entails a transfer of wealth from the South to the North. The dominating premise is that the accumulation system is immutable and all countries must conform to its operations (Biel 2000). Recently, however, it seems that the Bretton Woods system has been challenged, while the WTO finds itself in shambles. Latin America verges on establishing an alternative to the World Bank -Banco del Sur. East Asia seems ready to implement its own IMF, the Asian Monetary Fund, as decided in Chieng Mai in May 2008. The IMF and the World Bank have their headquarters in Washington, home of the world's largest debtor, yet "today global development finance is increasingly accessed directly from private sources and emerging economies such as China, the Gulf States, India and Brazil." It seems that the fee-paying clients of the IMF vote with their feet and seek to build up their own reserves to avoid using the institution (Woods 2008). Altogether this is challenging US control over global governance.

The process of disintegration started in the United States and will end in the North American "free market" laboratory. Confronted by a triple, deep crisis of the economy, the environment, and the political

institutions, the US dominated system implodes. Even the IMF foresaw problems in the US housing market, with unresolved financial sector problems leading the economy to downturn: "In fact, we are now anticipating that the United States will indeed slip into recession" (IMF 2008). Former Australian Treasurer, Peter Costello, noted that lately you've been "exporting instability" in world markets, while Yashwant Sinha, former finance minister of India, concluded, "The time has come. The U.S. should accept some monitoring by the IMF" (Kestenbaum 2008). Interestingly the IMF applauded the Bush administration's, and later the Obama's response, and the critical role played by central banks - a move that unmasks the hypocrisy of the Bretton Woods institutions and reveals their true agenda.

Let us list a few desperate measures: nationalisation of the home financing conglomerates, Fannie and Freddie, and the world's largest insurance company AIG, and the bail-out of the Bear Stearns creditors; "the use of the Fed balance sheet (hundreds of billions of safe US Treasuries swapped for junk, toxic, illiquid private securities); the use of the other GSEs (the Federal Home Loan Bank system) to provide hundreds of billions of dollars of 'liquidity' to distressed, illiquid and insolvent mortgage lenders; the use of the SEC to manipulate the stock market (through restrictions on short sales). Then there's the use of the US Treasury to manipulate the mortgage market, the creation of a whole host of new bail-out facilities to prop and rescue banks and, for the first time since the Great Depression, to bail out non-bank financial institutions" (Roubini 2008).

Behind financial collapse lies the social ruin wrought about by a debt-based monetary system. The solution might be similar to any of the other, frequent financial crises, such as that of the 1997 Asian financial crisis. Profits are privatised while losses are socialised; taxpayers pay the bill for generations to come. Financial collapse drags down the productive economy as job losses mount in a classical surplus production cycle. The major difference is that 'creative destruction' in East and Southeast Asia was introduced

by the IFIs to "cut public spending, shut down banks and investment houses and let asset prices – stocks, real estate and currencies – find their market level. In return, East Asia received modest financing from the IMF.... The result: their economies collapsed. Thailand, Indonesia and Korea saw falls in 1998 GDP of 11, 13 and 7 percent respectively" (Linn 2008; Schmidt 2007b).

The contagion effect of the crisis of capitalism represents what Paul Baran and Paul Sweezy aptly described as a "gigantic system of speculating, swindling, and cheating." At the global level such speculation poses tremendous challenges to people's organizations, solidarity movements, and to people fighting for increasing the social, political and ecological rights of ordinary people, at the local, national, regional or even global levels. The dominant response on both left and right is a call for more regulation and government intervention. But this "fails to shed light on the convergence of interests of business and political elites as well as the ongoing class war that has eviscerated the ranks of unionized labor, stagnated wages, and casualized workers across all sectors of the economy" (Walker 2008).

The deep, systemic causes of the social and environmental dilemmas unfolding around us are a function of the present phase of the capital accumulation process -- the growth of endless consumption, increasing levels of inequality, and the institutional pathology induced by successive US administrations. The neoliberal imperative is depleting the natural life support system of the planet, disrupting the hydrological and climate systems, and threatening human survival (Korten 2007). As President Chavez of Venezuela pointed out at the United Nations, "the US rulers show themselves willing to risk even the survival of the species in pursuit of global hegemony" (Estabrook 2007). Climate change has become a major political issue and, coupled with other global, regional and local dramas might increasingly be identified as a security issue. China now has overtaken the US in greenhouse emissions and requires at least 10 times more energy than the more mature industrialized

nations to produce one unit of GDP (George 2008). One of the world's largest energy consuming and polluting countries, China poses a real concern for security through its increasing dependence on fossil fuels like oil, gas and coal.

Climate change and the degradation of the environment are linked to the systemic failure of the current mode of production - no matter the political and institutional systems in which the capitalist market economy is embedded. There are horizontal links among the failures of neoliberal capitalism, the depletion of oil, and the tremendous speculative price hikes in this and other natural resources (Crude oil price increased five-fold in five years, from \$22 per barrel in 2003, to \$125 in May 2008, and then fell, and rose again). The scarcity of water and oil is already a security issue which has led to wars, while China's, India's and Brazil's rise projects more competition for scarce resources in very near future. Corporate interests claim that water "is the oil of this century." Cheap, abundant fresh water has largely been taken for granted by developed nations. However, global population growth, pollution, and climate change are shaping the new perception of water as "blue gold" in the capital accumulation process. Global water markets, including drinking water distribution, management, waste treatment, and agriculture are a nearly \$500 billion, fast growing market. The privatization of public water systems is contested by a global "water is a human right" movement that proclaims water to be essential for human life. "Global warming isn't going to change the amount of water, but some places used to getting it won't, and others that don't, will get more. Water scarcity may be one of the most under appreciated global political and environmental challenges of our time which could have an impact on global peace and stability" (Clayton 2008).

Depletions of water and oil are closely linked to the food crisis by speculative increases in prices of food and primary commodities, straining poor and marginalized people's time, money and food intake. The end of the fossil fuel era of industrialization should be seen in the context of crises of the capitalist mode of production. The relationship of the fictive economy to the productive economy has been transformed. Incredible as it may seem: "40 per cent of total corporate profits in the US in recent years went to the financial sector that in itself does not 'produce' ... but that 'intermediates and organises' the resources that do produce" (Dervish 2008). When the price of crude oil increases so do food prices, while the surge in bioethanol production has contributed to the speculative bubble in primary commodity prices, again with catastrophic consequences for the worlds' poor, driving more than 900 million people into hunger and starvation. These are the horrendous costs of the financial crisis (Altvater 2009).

The growing concentration of financial power in a global economy engaged in ever-more intense competition for a declining base of material wealth creation erodes the social fabric to the point of widespread breakdown on a world scale. Institutional pathology denotes that "the most powerful institutions on the planet, global financial markets and the transnational corporations that serve them, are dedicated to growing consumption and inequality. They convert real capital into financial capital to increase the relative economic power of those who live by money, while depressing the wages of those who produce real value through their labor. They offer palliatives that leave the deeper cause of our potentially terminal environmental and social crises untouched, because they are the cause" (Korten 2007).

The long-term economic decline of the US economy is illustrated by the fact that even a 40% depreciation of the dollar (2002-2008) has not improved the US balance of payments or produced a trade surplus (Petras 2008). Furthermore, most Americans have experienced a decline in real income. Since 2001 the pay of the typical American worker has been stagnating, with real wages growing less than half as fast as productivity. By contrast, the corporate CEOs have enjoyed a Beckhamesque bonanza. The total pay of the typical top American manager has increased from roughly 40 times the average to 110 times the average now (The Economist Jan. 18th 2007). 17% of Americans are now living below the

poverty line. The middle class is rapidly dissolving into the underclass. Workers are producing more goods and services, but their productivity is rewarded by lower wages and longer hours. Executives of TNCs and financial institutions are having obscene incomes while workers are losing their pensions (Baker 2007). The hyper-rich - the top two percent that captures more than half of the world's GDP - tries to hide their profits in tax havens, finds loopholes, lobbies fiercely in parliaments and ministries against regulation of banks and financial markets (George 2008). Wall Street and the military-industrial complex now have the upper hand in US politics. It is just conceivable that the Obama Administration will be able to restore the global image of the United States, but this does not mean that the White House now understands the multi-layered nature of crisis, nor deep rooted systemic failure.

In principle the crisis of neoliberalism could be resolved by a major systemic shake-up involving, for example, new economic doctrines and reforms of the global governance institutions. But this resolution is unlikely, for two reasons: First, non-renewable natural and human resources are being exhausted and no form of capitalism can resolve that crisis (Biel 2000: 288). Second, a declining superpower armed to the teeth is unlikely to give up power voluntarily. "The US maintains a network of 737 American military bases around the world (according to the Pentagon's own 2005 official inventory). Not including the Iraq and Afghanistan conflicts, there are over half a million US troops, spies, contractors, dependents, and others on military bases located in more than 130 countries, many of them presided over by dictatorial regimes that have given their citizens no say in the decision to let them in" (Johnson 2007). The decline of US hegemony, and the current shift of economic gravity from the West to the East, can only be resolved by the creation of a new multi-polar world order based on what Polayni predicted as several regional centers of power. In Latin America, a new generation of leftist political leaders is responding to a profound disillusion with neoliberal policies. Similar currents are stirring in Africa and, especially, in East Asia (although with

different political and ideological flavors). A common struggle against the entrenchment of global power has forged political and economic links among major regions of the global south. Given the severe imbalance of power between the developed and the developing world, it is difficult to imagine that a newly restructured multilateral financial and economic order would not be biased in favor of the rich and the mighty. The new regional formations will have to furnish themselves with financial institutions to manage external trade and investment (Schmidt 2007a). Whether this last scenario will materialize remains to be seen. In the meantime dark clouds loom on the horizon, while new inter-capitalist rivalries are dawning.

Nationalism: Positive Or Negative

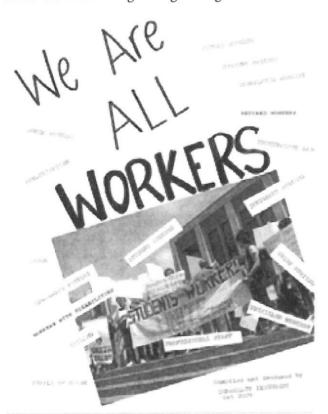
With the growing failure of global capitalism has come a rising tide of alternate views of the world, including a massive return of nationalism. Whether this is a positive or a negative nationalism remains to be seen, but there are clear signs today of aggressive rivalry between the two poles, as both gain strength (Saul 2004). Economic nationalism and protectionism is not necessarily the problem. Polanyi's concept of the double-movement denotes that in re-imposing effective social control over their economies, societies must ultimately choose between either the fascist or the socialist principle, for a fundamental and inevitable conflict lies between an individual's need and desire for freedom, and a modern complex society's need to define the framework and parameters within which economic activity must be embedded and organized. Today, as in the past, the rich and powerful tend to prefer the fascist solution, because it allows them to defend their power and their privileges more effectively. This means that those who prefer a democratic socialist solution always face a more difficult struggle (Bienefeld 2007: 13-14). The capitalist class never inherently needed democracy, and even less egalitarianism. Hence the attractiveness of China and Vietnam to foreign capital - these countries are the real darlings of private capital, and in this equation, democracy and human rights are regarded as obstacles to high-speed profit making.

There is an observable swing to nationalist and protectionist measures. Signs of backlash abound. Stephen Roach counts 27 pieces of anti-China legislation in the US Congress since early 2005. The German Marshall Fund found that more than half of Americans want to protect companies and domestic jobs against foreign competition, even if that means slowing growth. "Japan is alarmed about inequality, stagnant wages and jobs going to China. Europe has tied itself in knots trying to "manage" trade in Chinese textiles" (The Economist Jan. 18th 2007). There has also been resistance in the US Congress to foreign takeovers and changes in visa requirements in the name of homeland security (McRae 2007). This is also the case in corporate-driven EU. A lack of transparency - the so-called democratic deficit -- in the Commission has, together with the stalemate surrounding the Constitution and the Euro crisis, made the vulnerable segments of the EU populations more skeptical about regional institutions. The 'war on terror' has created a draconian climate of fear, extra-judicial detention, and expulsion of illegal immigrants, leading to serious violations of human rights and a virtual and physical surveillance system of Orwellian proportions. Anti-terror laws combined with European foreign policy support for the wars in Palestine, Iraq and Afghanistan demonstrate the hypocrisy involved, and create the real paradox - more fear, and more terror.

A growing xenophobia against refugees fuels rightwing populist "identity politics". The migrant and refugee regime has shifted from a system designed to welcome Cold War refugees from the East, and to resettle them as permanent exiles in their new homes, to a 'non-entrée regime', designed to exclude and control asylum seekers from the South. This implies that the major burden of caring for refugees falls overwhelmingly on the poorer countries of Asia and Africa (Castles 2003: 181). Progressive organizations are also facing rightwing social movements that appeal to widespread anxieties, prejudices, and resentments, in order to exploit them for political gain. The real problem is the restrictive notion of citizenship, which holds that genuine democracy is based on a culturally, if not ethnically, homogeneous community; that only long-standing citizens count as full members;

and that society's benefits should be restricted to those members of society who, either as citizens or taxpayers, have made a substantial contribution to society (Betz 2003: 194-195).

The inherent contradiction between capitalism and democracy is likewise visible within Europe, where negative nationalism, in the form of new levels of islamaphobia against, first and foremost, immigrants and refugees with a Muslim background, has put the Left and leftist movements on the defensive. This is uncharted territory for European socialism. An offensive posture by socialists in defence of bourgeois rights in capitalist society creates confusion on many issues. Under the conditions of real existing capitalism, socialists should be aware that ghosts from the past haunt these societies. What seems to be ominous is that a substantial segment of the populations is responsive to demagogy, and that a most serious menace is to be found in an apparent change in the political culture of society. In the present context, catering to a xenophobic discourse, and nurturing Islamophobia, serves the extreme right. Right-wing un-democratic



tendencies are not only a structural phenomenon; they require an ideologically motivated mass movement. Seen in this light we can sense danger signals throughout most of Europe (Brun and Hersh 2008).

Thus we are seeing the introduction of measures limiting civic rights in European and other Western societies. This prepares the ground for policies that can be used against progressives and labor movements should the economic crisis become politically uncontrollable. The paradox seems to be that the EU and the US are moving more and more towards an anti-democratic solution, while at the same time bashing China, Vietnam, Cuba and Venezuela for their authoritarian policies. Tensions between nationalism and a real dismantling of the neoliberal institutions have not yet found a final solution.

From TINA To TAMA (There Are Many Alternatives)

Perry Anderson has recently reminded us of Margaret Thatcher's famous dictum that "there is no alternative" (TINA) to neoliberal globalization, claiming that such sentiment runs deep in popular consciousness. He notes that the first years of the 21st century "have seen some spectacular demonstrations of popular will -- the WSF in 2001–02, Venezuela in 2002–03, Bolivia in 2004, France in 2005 -- and a patchwork of resistances elsewhere, but the overall drift of the period has been a further shift to the right ... the cry 'Another World Is Possible' risks sounding increasingly desperate..." (Anderson 2007: 27).

In contrast to Anderson's pessimism, finding a way of transgressing the capital-labor nexus, fundamental to the accumulation process, can be said to be the precondition for the most radical break with the history of capitalism. The current alternatives are indeed examples of a break with the very holy grail of capitalism, namely private property. New left-leaning governments, seizing the momentum of the democratic opening, won elections throughout Latin America, except Mexico and Columbia. The re-nationalization of oil and other natural resources in Venezuela, Ecuador, and Bolivia is a victory for

the Left, and a rebellion against the dictatorship of finance, and can be interpreted as a way to bring money back under the democratic control of public authorities, while ending the privatization of credit creation (Bienefeld 2007: 28). Even more intriguing, the take-over of state power grew out of social and civil society movements, some based in the informalized sector. Either through armed struggle or peaceful means, all seem to operate with key strategic solidarity aspects from the global justice movements. Additionally they are taking nature, environment, land, rights into consideration, and questioning the systemic "modus operandi" of capitalism - free trade and the existing link between labor and capital. Antisystemic forces should acknowledge that what is at stake is not mitigating of market failure or governing the market. Such an approach re-legitimizes capitalism as a socio-economic system based on class differentiation and competition, thereby representing more of an alternance than an alternative to real existing capitalism (Schmidt and Hersh 2006: 82).

What is needed is: a cultural and institutional transformation that reduces aggregate consumption while achieving an equitable distribution of economic power; an equitable distribution of the Earth's lifesustaining wealth; increase economic efficiency by reallocating material resources from harmful to beneficial uses; investment in the regeneration of the living human, social, and natural capital that is the foundation of all real wealth; acceleration of social innovation, adaptation, and learning by nurturing cultural diversity; and removing intellectual property rights as impediments to the free and open flow of beneficial knowledge (Korten 2007). To achieve such a scenario, the world's justice movements might proceed to a "Fifth International": "The rise of the global justice movements as the world's first-ever multi-issue political convergence was profoundly important, and South Africa has become a site of crucial, productive conflicts for these movements' developments. The time may well arise for a formalisation of the movement's character in explicitly political terms, such as within the traditions of international socialism - for which the first four 'internationals' provide a host of lessons, largely negative, about world-scale co-ordination" (Bond 2004: 216-217). Hence in sum, the approach of the South African social movements – thinking globally, and acting locally first, while changing the balance of forces nationally and internationally, so that acting globally might one day generate something meaningful – is a wise route towards a final attack on global apartheid and capitalism itself. "No matter the continual reversals, the opportunities to take up these challenges, and link them across countries and sectors of struggle, is now greater than at any time in memory" (Bond 2004: 219)

Another viable path is more concerned with strategies related to informalization and the trajectory of a new economy.

Informalization Of Labor – Towards A New Economy

In general, capitalism has coped with the parallel rise in the informalized economy by denying its existence. New types of informalization have increased to such an extent that which economy is in fact 'normal' is not self-evident (Neef and Stanculescu 2002: 1). ILO estimates suggest that informal employment comprises about one-half to three-quarters of nonagricultural employment in developing countries. A staggering one billion workers are either unemployed or underemployed. These proportions appear to be rising, even as economic growth is proceeding in developing countries (Heinz and Pollin 2003: 1). The rise of the informalized sector is a direct result of neoliberal globalization (Schmidt 2006), and under such extreme conditions of competition, the neoliberal prescription of flexibility has turned out to be, simply, catastrophic. "De Sotan slogans simply grease the skids to a Hobbesian hell. Those engaged in informal-sector competition under conditions of infinite labor supply usually stop short of a total war of all against all, conflict instead is usually transmuted into ethnoreligious or racial violence" (Davis 2006: 175 and 185). The informal economy is removed from state regulation and formal institutions. It allows the cheap reproduction of labor and ensures the survival of poor people. The absence of taxes and social contributions is paid for with high social risks. It is basically keyed to covering basic needs and everyday consumption, while accumulation requirements are secondary (Neef and Stanculescu 2002: 2).

From the standpoint of neoliberal economic policy, informalization is not an unfortunate sideeffect of other policy initiatives. It is, rather, a conscious policy outcome, the inevitable result of the hegemony of neoclassical economy (Toye 1993). In other words, informalization and increased labor market flexibility are simply two aspects of the same phenomenon. The implementation of neoliberal policy can explain the rise of informalization through several mutually reinforcing channels. The proportion of state employees will necessarily fall each time governments cut public employment. Maintaining low labor costs is often the single dominant element for successfully promoting export orientation. The ultimate goal is to limit workers' benefits resulting from productivity improvements, to reduce social and legal protections, and to weaken labor's bargaining power. The rise of informalization will feed upon itself as the bargaining power of workers weakens further (Heinz and Pollin 2003: 6-7)

This is clearly the case in East and Southeast Asia, where the IFIs' push towards greater flexibility of labor markets has increased the informalization of employment. This is exacerbated by serious increases in inequality. The day is gone when the East Aian NICs could claim credit for 'equitable' economic growth and egalitarianism. "Many countries in the region have witnessed increases in either/ both types of informal employment, making it more difficult to find and even define formal employment. The normal or standard employment is becoming a misnomer" (Schmidt 2007b: 39). Three decades of neoliberal globalization has seen that the prospects for achieving full employment permanently reduced. Unemployment and part-time employment have soared everywhere, hitting 17 percent of the labor force in the United States. With a greater level of informalization and reliance on casual labor, the nature of work

has changed drastically. Indeed we can also observe a trend towards Thirdworldization of labor markets in the North, especially in the United States (Schmidt 2006).

From another, more strategic perspective, informalization is a consequence of capital going global, while labor organization remains national. Increasingly trade unionism is no longer a struggle with capital, but trench warfare against the tax-payer. The public sector offers a more favorable terrain for trade union recruitment, compared to the concomitant difficulties of organizing workers in productive activities exposed to globalization. Global organized trade unionism has, with important exceptions, become weaker, more divided, and reduced to confrontational politics. Work force growth, together with the labordemolition strategies of TNCs in order "to remain internationally competitive," to use their pedestrian refurbished rationalization, will augment joblessness, further increasing inequalities (Clairmont 1996: 346).

The basic issue is 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 greying 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 1997: 113). Coupled with the fact that there is a 'race to the bottom' in terms of job exports, outsourcing, and competitive lowering of standards, regulations and laws, it is interesting to note that, so far, the response from organized labor in the North is largely re-active, in most cases relying on a defensive and protectionist posture. So, the question arises, what types of resistance are reliable, and which are unsustainable, in both

a short-term and longer-term perspective? Are the slogans of anti-globalization in reality alter-globalization, in the sense of representing an alternative expression of a different form of globalization, as some represent the global social justice movement?

Ellen Meiksin Wood criticizes anti-capitalist forces who focus on TNCs and international agencies. She points out that many of the arguments used against these organizations are not anti-capitalist, but anti-global. The real issue is that globalization is a consequence of capitalism, not a cause of exploitation. Instead, Wood forcefully argues that nation states are still the most reliable guarantors of capital accumulation, and therefore states should remain the focus of progressive movements. She makes a strong case saying: "While we can imagine capital continuing its daily operations with barely a hiccup if the WTO were destroyed, it is inconceivable that those operations would long survive the destruction of the local state." Furthermore "capitalism whether national or global, is driven by certain systemic imperatives of competition, profit maximization and accumulation, which inevitably require putting 'exchange values' above ' use values' and profit above people." The point is that, the capitalist state has always performed an important function: "controlling the mobility of labor, while preserving capital's freedom of movement" (Wood 2003: 134, 131, 133).

Globalization can only create the illusion of prosperity for all. Globalization has not made the world flat, as Thomas Friedman claimed. Globalization per se is not a new phenomenon but rather a rhetorical discourse invoked by establishments in the North to justify their voluntary surrender to the dictate of financial markets. The process leading to the victory of the retrenchment of the state was related to the betrayal of political classes, and the balance of forces in the class struggle: "... far from being -- as we are constantly told -- the inevitable result of the growth of foreign trade, deindustrialization, growing inequality and the retrenchment of social policies are the result of domestic political decisions that reflect the tipping of the balance of class forces in favour of the owners of capital" (Bourdieu and Wacquant 2001; Hersh 2004). This is the reason for the increasing signs of popular and workers' organised resistance against the impact of globalization and "... a revolt against the idea that labor, rather than investors or management, should pay the cost of corporate globalization" (Pfaff IHT 1997).

The ideas of the 'free market' satisfy the need for a distortion of reality and the need to conceal the realities of exploitative relationships, in order to defuse the solidarity mechanisms of the disfavored and the oppressed. Capitalism must also create the norms or identities that determine the role of the actors within the new accumulation process (Biel 2000: 170). In this way the market incorporates new and old structures of dominance. In "really existing capitalism", monopolies and speculative capital control the economy by undermining solidarity mechanisms. "An apparent culture of opportunity was created which, in exchange for a largely fractious promise of individual betterment, undermined solidarity movements in the third world and elsewhere" (Biel 2000: 171). Informalization of the economy and the emerging new resistance and solidarity movements in civil society are a product of two factors: firstly, objective forces of capitalist development, and secondly the attack on the organized left (Biel 2000: 289). Yet informalization can lead to an alternative social system. The informal sector is not a deus ex machina, but "a soulless wasteland," yet also an economy of resistance that confers honor on the poor "where otherwise the logic of the market leads to total despair" (Davis 2006: 198). Together with precarious and casualized work conditions, informalization also contains the seeds of anti-exploitative struggles that can be dangerous to capitalism "for it often means that workers control their own productive activity in a co-operative way, and create local, self-sufficient economic systems. They gain experience which would be highly valuable in the construction of an alternative system" (Biel 2000: 290). Of course, informalized populations support numerous contradictory types of organizations, from faith-based communities and prophetic cults to ethnic militia street gangs, neoliberal NGOs, and revolutionary movements. As Davis mentions, although there are no monolithic subjects

or unilateral trends, there are nonetheless myriad acts of resistance. Indeed, the future of human solidarity depends upon the militant refusal of the urban poor, the slum dwellers and rural masses in the informalized sectors to accept their terminal marginality within global capitalism (Davis 2006: 202).

The question that has to be resolved, in order to surmount the dichotomy of welfare and workfare, concerns the conflict between the expropriation of people's means of subsistence and the continuous identification of labor power as a market commodity. The commodification of work has been a determinant component of primitive accumulation that made, and makes, industrial capitalism possible. As noted by Karl Polanyi, following Karl Marx, this relationship puts workers at the mercy of the demands of capital. The human commodity has little control as to where, why, and how it will be used, or not used, a condition exacerbated under neoliberal globalization. It is exactly here that the position of labor in the informalized sector comes to the fore.

The ideological discourse of modern capitalism has sought to embed work as an individual psychological need. But this overlooks the subsistence nexus that forces workers to sell their labor power. It is an irony of history that the 'Right to Work' has been celebrated as a great victory by the labor movement and the socialist forces. But it can be argued that, after having imposed this right, the working class landed in a 'prisoner's dilemma', whereby the essence of the capitalist exploitation of labor was cemented politically and ideologically. Thus, the defensive struggle for the protection and betterment of the conditions of the working class could not be anything but a 'guerrilla war', without possible victory, as long as the struggle did not raise the battle cry of the abolition of the wage system altogether. Voices like Karl Marx and Paul Lafargue within the socialist movement were aware of this impasse.

The struggle for participatory democracy would, in the view of Albo, open the way for opposition to neoliberal globalization. Accordingly, the opposite to globalization is democracy, not only in the crucial

sense of civil liberties and the right to vote, but also in the no less crucial sense of the capacity to debate collectively as social equals about societal organization and production, and to develop self-management capacities in workplaces and communities (Albo, 1997: 28 cf Schmidt and Hersh 2006: 86) and in the informal sector. Confronting the logic of the global market's imperatives would demand, besides the expansion of democracy, a reduction in the scale of production. This would also be a way of alleviating the environmental damages created by unbridled productivism. Most important in the suggestions for surmounting the destructiveness of the global market, and moving the political agenda towards socialism beyond capitalism, are Albo's reflections on the 'politics of time'. The argument that the conceptualization of labor time should be revised, if not abandoned, is close to the above argument concerning the abolition of wage labor and the fact that no such wage labor exists in the informal economy. In the optic of Albo, the notion of 'work without end', which has been the history of capitalism, the objective of 'endless consumption' under Fordism, and the Keynesian conviction that expanded output should always have precedence over work-time reduction, should all be superseded. The reduction of work-time would contribute to creating the administrative framework for workplace democracy (Albo, 1997: 37 cf Schmidt and Hersh 1997: 86-86).

It might be tempting to elevate and idealize slum-dwellers and the 'lumpenproletariat' of the informalized sectors, elevating them into a new revolutionary class. It is, nonetheless, surprising how far they conform to the old Marxist definition of the proletarian revolutionary subject: they are 'free' in the double meaning of the word, even more than the classical proletariat ('free' from all substantial ties; dwelling in a free space, outside the regulation of the state); they are a large collective, forcibly thrown into a situation where they have to invent some mode of being-together, while simultaneously deprived of support for their traditional ways of life (Žižek 2004). The slum-dwellers and the rural masses in the informalized sectors are the counter-class to the so-called 'symbolic class' (managers, journalists and PR people, academics, artists etc.), which is also uprooted, and



perceives itself as universal (a New York academic has more in common with a Slovene academic than with blacks in Harlem half a mile from his campus). "Are we seeing the gestation of the new axis of class struggle, or is the 'symbolic class' inherently split, so that one can make a wager on the coalition between the informalized slum-dwellers and the 'progressive' part of the symbolic class? The new forms of social awareness that emerge from slum collectives will be the germs of the future and the best hope for a property 'free world'" (Žižek 2004). This way the anti-capitalist strategy might assume social command over both the production and distribution of surpluses (Harvey 2009), while decreasing the entropy on the Earth's ecological system (Altvater 2009).

Conclusion: Rights and democracy under the cacophony of crises

One of the main contradictions in the global neoliberal orthodoxy is how the same state-driven ideology could promise the "end of history" and an

infinite spread of democracy, and yet a decline in the power of the nation state? "Democracy exists only inside countries. Weaken the nation state and you weaken democracy! Why did an unprecedented increase in money supply translate into a dearth of money for public services? And why did this growth in new moneys enrich mainly those who already had money? Why did it lead to a growth of the rich-versus-poor dichotomy and a squeezing of the middle class? Why did the many privatisations of public utilities neither improve services nor lower costs for consumers but instead guarantee revenues to the new owners while leading to a collapse in infrastructure investment" (Saul 2004)? Capitalism, which literally means rule by financial capital -- by money and those who have it -- over all non-financial values, such as labor and commodities, has triumphed over democracy, markets, justice, life, and spirit. Human societies require strong, active, democratically accountable governments to set and enforce rules that assure that costs are internalized, equity is maintained, and economic forces are channeled to the service of democracy, justice, life, and spirit. The current situation has exposed the myths that blind us to the irreconcilable conflict between capitalism and democracy, and to the opposite potential of community-centered, life-serving alternatives based on principles of responsible citizenship, community, and equity (Korten 2007). Existing democracies, and the complex social compromises on which they rest, confront a lingering demise accompanied by growing social polarization and conflict, while new or 'low intensity democracies' are marked by the limited degree of progressive change they allow, rather than

Democratisation from below is spearheaded by communities asserting their own power and self management, preservation and development of the diversity of culture, life forms and knowledge systems, as well as pursuance of alternative development and human scale economies (or economies of communities). Such community initiatives are scattered in Thailand, Sri Lanka, Bangladesh, India, and in the Philippines, for example, the popular education

by their transformative capacity (Gills 2000: 5).

circle is now arguing for the redefinition of "people" towards "actually existing people", "not limiting it to NGOs and other terms of objective categories. People then refer to those who are seeking alternative paradigms as the real actors in the real world" (Guerrero 2001: 24). Whether people's organizations can spearhead revolutionary change remains to be seen. But historically and comparatively speaking there is a potential for radicalization if these organizations are able to create an alternative vision, together with other political forces. The project of a "new economy" – an ecological and grounded alternative to the current mode of production – built on non-profit exchanges in the informalized sector has proven to be one viable way out of disaster capitalism.

Although there are encouraging examples of victories won by peoples' organizations, there is also considerable fragmentation of civil society. Encouraged by the global restructuring of production, which fragments labor formerly unified through comprehensive collective bargaining and class consciousness, the new demands of flexible production and the informalization of labor markets have decreased the strength of workers (Schmidt 2007). This has implicitly meant that people's organizations, in a number of situations, either act on behalf of labor or collaborate with non-unionised workers, or more informally with the established trade unions.

Finally, there is a tendency for people's organizations, and especially NGOs, to take over state and public sector responsibilities, always with a significantly lower budget, or even act against the interests of those who support increases in collective goods and social redistribution. As they tend to deflect responsibility away from the state, and as long as workers, including the masses in the informalized sector, do not have political representation in accordance with their class interests, this might not be a sustainable strategy in the long run. The very act of defining themselves as 'non-governmental' explicitly rejects any ambition for establishing an alternative hegemonic project, which would, by its nature, have to include state capacities and government capability as the means through which political and economic power is articulated in any society.

It seems to be taken for granted that the right to property, and the freedom to engage in economic activity, overrule all other human rights. The Thatcher-von Hayek dictum still rules, that economic freedom and rights are superior to every other kind of freedom, whether political, religious or intellectual (George 2008). This also implies that the capitalist state has fundamentally guaranteed property, above all in the form of the promise not to default on its bonds. This has led to a human rights conundrum, where there seems to be a convergence between business elites on both sides of the equation to downsize labor rights, and the rights of ordinary people to decent amenities, such as clean drinking water, healthy food, decent jobs, a minimum of social welfare and a sustainable environment. Profits seem to be the leitmotif of the current phase of recessionary capitalism. Political elites are still paying lip-service to freedom of speech while, at the same time, downsizing and privatizing collective entities.

In the end, there is a danger that solidarity and people's organizations either insert themselves, explicitly or implicitly, within the liberal critique of the state's actions, or else limit their activity to the sphere of civil society which, defined in opposition to the state, also ends at the boundaries of liberal politics. In fact, the very concept of 'civil society' masks the class nature of its components, the multinational corporations, banks and mafias that collectively demonize the state. The leading role of peoples' organizations in the resistance to neoliberalism is a sign of the movement's defensive character, still unable to formulate an alternative hegemonic strategy. A movement that brings the struggle against US imperial dominance together with the anti-capitalist elements of the movements in alliance with the informalized sectors, would mark the beginning of an offensive, politicized phase. This time, however, things may be different. For we are all facing the prospect of what happens when an evergrowing world economy reeling under the intensity of crises pushes humanity up against the limits of a finite planet.

References

Albo, Gregory (1997) A world market of opportunities? Capitalist obstacles and left economic policy, in Socialist Register, Merlin Press, London.

Altvater, Elmar (2009) The Plagues of Capitalism, paper presented at the World Social Forum, Belém, Brazil.

Anderson, Perry (2007) "Jottings on the Conjuncture" New Left Review 48, November, December, pp. 5-37.

Arends, Brett (2004) Economic 'Armageddon' Predicted, Boston Herald, 23 November

Baker, Carolyn (2007) *The Joyride That Was The American Empire*, 13/8 http://www.informationclearinghouse.info/article18169.htm

Betz, Hans Georg (2003) Xenophobia, Identity Politics and Exclusionary Populism in Western Europe, Socialist Register 2003. Fighting Identities: Race, Religion and Ethno-Nationalism, Merlin Press, London

Biel, Robert (2000) The New Imperialism. Crisis and Contradictions in North/South Relations, Zed Books, London

Bienefeld, Manfred (2007) Suppressing the Double-Movement to Secure the Dictatorship of Finance, in Ayse Bugra and Kaan Agartan (eds.) Reading Karl Polanyi for the Twenty-First-Century- Market Economy as a Political Project, Palgrave Macmillan, London

Bond, Patrick (2004) Facing Global Apartheid, in Boris Kagarlitsky and Allan Freeman (eds), *The Politics of Empire: Globalisation in Crisis.* Pluto Press, London

Bourdieu, Pierre and Loîc Wacquant (2001) Neoliberal Newspeak: Notes on the new planetary vulgate, Radical Philosophy, 105, January, pp. 1-6.

Brickmont, Jean (2006) *Humanitarian Imperialism*, January http://www.zmag.org/znet/viewArticle/4629

Brun, Ellen and Jacques Hersh (2008) The Danish Disease: A Political Culture of Islamophobia, *Monthly Review*, June

Castles, Stephen (2003) The International Politics of Forced Migration, Socialist Register 2003. Figthing Identities: Race, Religion and Ethno-Nationalism, Merlin Press, London

Clairmont, Fredric C. (1996), The Rise and Fall of

Economic Liberalism. The Making of the Economic Gulag, Southbound and Third World Network, Penang

Clayton, Marc (2008) Is Water Becoming 'The New Oil'? The Christian Science Monitor, May 29

Davis, Mike (2006) Planet of Slums, Verso, London

Dervis, Kemal (2008) "Perspectives on the New Structure of the World Economy" http://content.undp.org/go/newsroom/2008/march/kemal-dervis-perspectives-on-the-new-structure-of-the-world-economy.en;jsessionid=axbWzt8vXD9

The Economist (2007) Globalisation - A poisonous mix of inequality and sluggish wages threatens globalisation, Jan 18th

Estabrook, Carl (2007) The Politics of the Useful Threat. It Didn't Start with the Neo-Cons, April 16, http://www.counterpunch.org/estabrook04162007.html

George, Susan (2008) Transforming the Global Economy: Solutions for a Sustainable World, the Schumacher lecture, Presentation at the Schumacher conference, Transforming the Global Economy: Solutions for a Sustainable World, 4 October - http://www.tni.org/detailevent.phtml?&act_id=18737

Gills, Barry (2000) Introduction: Globalization and the Politics of Resistance, Macmillan, London

Gray, John (2001) The era of globalisation is over, *New Statesman*, 24 September

Guerrero, Dorothy (2001) Regionalisms and Alternative Regionalisms in Asia and the Pacific Basin, Project Discussion Paper No. 5/2001, Institute for East Asian Studies/East Asian Politics, University Duisburg, Germany

Harvey, David (2009) Organizing for the Anti-Capitalist Transition, *Monthly Review*, 15 December, http://mrzine.monthlyreview.org/2009/harvey151209.html

Heintz, James and Robert Pollin (2003) Informalization, Economic Growth and the Challenge of Creating Viable Labor Standards in Developing Countries, Political Economy Research Institute University of Massachusetts Amherst, Working Paper 60

Hersh, Jacques (2004) Oldspeak/Newspeak of (Neo) Liberalism on Development, *The Interdisciplinary Journal of International Studies*, vol.2, number 1 http://www.ijis.aau.dk/, pp. 3-19.

Hoogvelt, Angie (1997) Globalization and the Postcolonial World, Macmillan, London

IMF (2008) Housing and the Business Cycle, World Economic Outlook, Washington DC, April

Johnson, Chalmers (2007) Empire v. Democracy: Why Nemesis Is at Our Door, http://www.antiwar.com/engelhardt/?articleid=10439

Kestenbaum, David (2008) Ex-Finance Ministers Offer U.S. Economic Advice, NPR 15 September, http://www.npr.org/templates/story/story.php?storyId=94617079

Korten, David (2007) Only One Reason to Grant a Corporate Charter, December 8, http://www.commondreams.org/archive/2007/12/08/5710/

Linn, Johannes F. (2008) Hypocrisy in Financial Crisis Response: East Asia 1998 versus the USA 2008, Brookings, http://www.brookings.edu/articles/2008/04 global governance linn.aspx

Mcrae, Hamish (2007) These are perilous days for the US, 14 November http://commentators/hamish-mcrae/article3157764.ece

Neef, Raqiner and Manuela Stanculescu (eds) The Social Impact of Informal Economies in Eastern Europe, Ashgate, Aldershot, 2002

Panitch, Leo and Sam Gindin (2008) *The Current Crisis: A Socialist Perspective*, The Bullet, Socialist project, E-Bulletin No. 142, September 30

Petras James (2008) Military or Market-Driven Empire Building: 1950-2008, 30th April http://www.stwr.net/content/view/2860/1/

Roberts, Paul Craig (2007) Impending Destruction of the US Economy, http://www.informationclearinghouse.info/article18787.htm

Roubini, Nouriel (2008) Public losses for private gain, Guardian, September 18

Saul, John Ralston (2005) The Collapse of Globalism – and the Reinvention of the World, Atlantic Books, London

Saul, John Ralston (2004) The Collapse of Globalism and the Rebirth of Nationalism, Harpers Magazine, March

Schmidt, Johannes Dragsbaek (2007a) Social Compacts in Regional and Global Perspective, Canadian Journal of Development Studies, vol. 28, no. 3, pp. 455-474.

Schmidt, Johannes Dragsbaek (2007b) Globalizing Social Welfare and Labor Markets in East and Southeast Asia, in Woontaek Lim, Diversity and Dynamics of Globalization: Socio-Economic Models in Global Capitalism, The Korean Sociological Association, Seoul, Korea

Schmidt, Johannes Dragsbaek (2006) Flexicurity, Casualization and Informalization of Global Labor Markets, in B. N. Ghosh and Halil M. Guven, Globalization and the Third World: A Study of the Negative Consequences, Palgrave, Macmillan, Houndsmills, Basingstoke, Hampshire and New York.

Schmidt, Johannes Dragsbaek and Jacques Hersh (2006) *Neoliberal Globalization. Workfare Without Welfare*, in Journal of Globalizations, Routledge, Taylor Francis, London, pp. 69-89.

Strange, Susan (1986) Casino Capitalism, Basil Blackwell, London.

Toye, John (1993) Dilemmas of Development: reflections on the counter-revolution in development economics, Oxford, Oxford University Press.

UN (2006) High Commisioner Links Poverty, Underdevelopment to Denial of Economic, Political, Social Rights, 18 October, http://www.un.org/News/Press/docs/2006/gashc3857.doc.htm

Walker, Corey D. B. (2008) The Poverty of 21st Century Progressivism http://mrzine.monthlyreview.org/walker230908.html

Wolf, Richard (2007) *Neoliberal Globalization Is Not the Problem* 12 April http://mrzine.monthlyreview.org/wolff041207.html

Wolff, Richard (2007) Marxian Class Analysis and Economics, may/june 2006, Dollars & Sense magazine. http://www.dollarsandsense.org/archives/2006/0506wolff. htm

Wood, Ellen Meiksins (2003) Globalisation and the state: Where is the power of capital?, In Alfredo Saad-Filho (ed.) Anti-Capitalism, A Marxist Introduction, Pluto Press, London.

Woods, Ngaire (2008) Governing the Global Economy: Strengthening Multilateral Institutions, Policy Papers, International Peace Institute, New York.

Žižek, Slavoj (2004) Knee-Deep, London Review of Books, 2 September.

SUMMARY

The overall objective of the dissertation is to analyze the interaction of national development in developing societies and the world political economy. It is an attempt to challenge the bidden selectivity of present day IR by going beyond the partial explanations of the bits and pieces of the whole international system and at the same time uncover claims of scientific "objectivity" and "natura) laws" in human nature. It is also challenging the mainstream discourse of IR, which denotes that development has been consigned to the realm oflow pol i tics, except when the international order, as it has been constructed, is threatened. The objective then is to "connect the dots" by providing an overall theoretical framework for the concepts and empirical material presented in five sections and chapters of this dissertation. This is done by examining competing views of what development and later on international relations means and how they may be intertwined. The idea is not necessarily to reach a unified approach but to investigate the different theories, concepts and methodologies involved in a search for a valid framework, which may give explanatory value to a merger of the two disciplines "Development studies" and "International Relations".

ISSN (online): 2246-1256

ISBN (online): 978-87-7210-447-8